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ABSTRACT

This economic course of study for twelfth grade presents an extensive variety of teaching/learning activities. Many of the readings, pictures, charts, cartoons, and tables are selected from current and authoritative sources, such as government reports and newspapers. These items are used as a basis for student questions and a variety of student activities. Some activities are recommended for students below grade level and a smaller number for students above grade level. An appendix includes a list of skills to be developed in grades K-12, extensive suggestions for evaluation of student performance, and a statement of the philosophy for the entire program. There are seven selected themes in the economics course each containing selected sub-themes. The major themes are: 1) Economics and economic problems, 2) Organizing production to satisfy economic choices, 3) Income distribution in our market economy, 4) How we try to maintain a growing and stable economy, 5) Economics of the Metropolitan region, 6) Comparative economic systems, and, 7) International economic problems. (See SO 001 615 for related documents.) (Author/IM)

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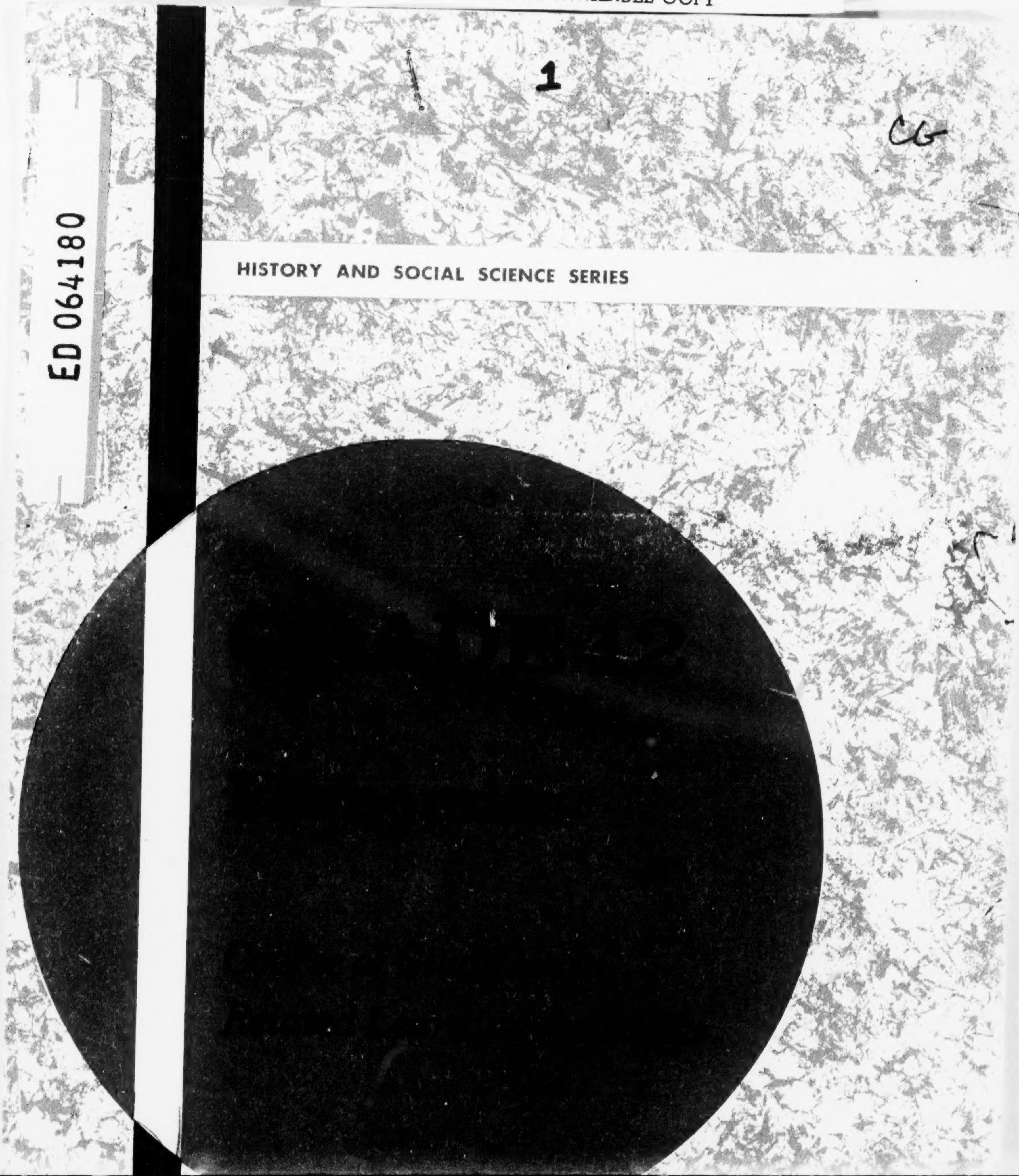

HISTORY AND SOCIAL SCIENCE SERIES

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HISTORY AND SOCIAL SCIENCE SERIES

GRADE 12

Economics

Course of Study and
Related Learning Activities

BUREAU OF CURRICULUM DEVELOPMENT
BOARD OF EDUCATION OF THE CITY OF NEW YORK

00-4082-40

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4

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CURRICULUM BULLETIN . 1970-71 SERIES . NO. 14

SOCIAL STUDIES

GRADE 12

ECONOMICS

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FOREWORD

The United States is in the midst of a period of rapid and unprecedented technological and social change to which our economy is dynamically tied. To be relevant, the curriculum must engage the student's natural curiosity and ensure his participation in this changing America.

Utilizing the insights of the social studies materials, the economics course offers approaches which will help students and teachers enter into the kind of dialogue from which should come heightened but realistic appreciations of the achievements and problems of urban America.

This revised course is unique in that it places greater emphasis on the study of economics from the urban point of view. One full theme, devoted to the economy of the New York metropolitan area, examines its problems and potentialities.

The new program encourages the teacher to make use of various media to stimulate student curiosity and to turn the classroom into a living workshop. Throughout the course, students are afforded the opportunity to use the community as a laboratory and become involved in the immediate socio-economic problems affecting them.

Seelig Lester
Deputy Superintendent of Schools

ACKNOWLEDGMENTS

This course of study and learning materials was developed under the direction of Seelig Lester, Deputy Superintendent of Schools, as a cooperative venture of the Bureau of Curriculum Development, David A. Abramson, Director (Acting); and the Bureau of Social Studies, Leonard W. Ingraham, Director.

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A draft of this course of study was tried out in a number of high schools and reviewed by chairmen in many high schools. The Standing Committee in the Social Studies offered numerous constructive suggestions.

In the initial planning phase, this publication benefitted from the advice of:

Koppel Friedman, Chairman, Department of Education
Richmond College, CUNY

S. Stowell Symmes, Director of Curriculum
Joint Council of Economic Education

TABLE OF CONTENTS

PAGE

INTRODUCTION 1

COURSE OF STUDY

Theme I Introduction to Economics and Economic Problems 5

Theme II Organizing Production to Satisfy Economic Choices 9

Theme III Income Distribution in Our Market Economy 13

Theme IV How We Try to Maintain a Growing and Stable Economy 18

Theme V Economics of the Metropolitan Region 23

Theme VI Comparative Economic Systems - The Soviet Union 27

Theme VII International Economic Problems 31

SUGGESTED LEARNING ACTIVITIES

Theme I Introduction to Economics and Economic Problems 34

Theme II Organizing Production to Satisfy Economic Choices 73

Theme III Income Distribution in Our Market Economy 121

Theme IV How We Try to Maintain a Growing and Stable Economy 186

Theme V Economics of the Metropolitan Region 260

Theme VI Comparative Economic Systems - The Soviet Union 330

Theme VII International Economic Problems 351

APPENDIX

Skills Developed Systematically 376

Suggestions for Evaluation 378

Philosophy of the K-12 Social Studies Program 388

INTRODUCTION

Background for Teachers

"Everyone must to some extent act as his own economist - in private life and as a citizen - and both he and the community will be better served if he is well informed and can think clearly and objectively about economic questions." Task Force Report on Economic Education, p. 13.

We believe that economic understanding can best be achieved through objective analysis. Therefore, an important result of the 12th year course should be the development in pupils of a way of thinking about economic problems. The K-12 Program has planned for cumulative, sequential development of concepts and skills requisite to economic understanding. The 12th-year course provides the opportunity to apply the spiral approach and build upon these previous learning experiences. The material in this course of study is also designed to meet the State Regents requirement for Economic History.

The teacher is urged to use the content, materials, and resources provided in this curriculum bulletin as a guide. Selectivity of learning materials and activities should be on the basis of class interests and abilities. Opportunities for reading and research beyond the suggestions offered should be developed. Teachers may wish to emphasize in the appropriate themes the role of the consumer. In choosing and modifying the suggested activities and in developing new ones, the teacher may wish to provide for a variety of experiences. Consumer economics and current affairs are two areas from which he can draw many applications of economic skills and concepts. Another area to which teachers and students may wish to be sensitized is the ever-increasing role of government in shaping the economic life of the nation.

The central economic problem in all societies is that there are not enough goods and services available to satisfy the wants of all of its members. Throughout history, man has tried to devise better ways of allocating available resources. In America, we have developed the system of private enterprise which has provided us with a relatively successful way of approaching the problem of developing and allocating resources so that we provide abundance for most of our members and maintain individual liberties. Other peoples have chosen different ways to approach this problem. In this course of study we shall be concerned primarily with the American economic system but we shall not overlook others.

For the study of economics to be meaningful to city students, the principles of economics must be made applicable to the student's immediate surroundings. To this end, the course places added emphasis to such conditions as poverty, unionism, and the urban crisis.

It is expected that the economics course of study will go beyond descriptive learning. Discovery techniques should be utilized to equip youngsters with experiences and knowledge to think rationally and logically about economic problems. Skill in research and analysis such as gathering data, seeking insights into problems, arriving at citizen - and both he and the community will be better served if he is well informed and can think clearly and objectively about economic questions." Task Force Report on Economic Education, p. 13.

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It is expected that the economics course of study will go beyond descriptive learning. Discovery techniques should be utilized to equip youngsters with experiences and knowledge to think rationally and logically about economic problems. Skill in research and analysis such as gathering data, seeking insights into problems, arriving at generalizations and conclusions should be provided in daily instruction and activities. Stress should be placed on concepts and ideas, rather than on rote learning of facts.

Needless to say, not every topic, however desirable, in the field of economics has been set forth in this guide. A deliberate attempt has been made to limit the areas of analysis so that pupils and teachers can evaluate in depth economic principles and problems. Teachers are given a high degree of flexibility to use this course as it best fits pupils' needs, interests and abilities.

Scope and Suggested Time Allotments

Themes		Weeks (Approx.)
Theme I	Introduction to Economics	3
Theme II	Organizing Production	3
Theme III	Income Distribution	3
Theme IV	Economic Growth and Stability	4
Theme V	Economics of the Metropolitan Region	3
Theme VI	Comparative Economic Systems	2
Theme VII	International Economic Problems	1

The Teaching of Controversial Issues

Having faith in the ability of well-informed citizens to reach sound conclusions for the general welfare, democratic society alone provides freedom for critical self-evaluation. This makes it all the more necessary that teachers help students see and cherish the fundamental values of the democratic way of life, and the clear superiority of democracy over totalitarian systems. With confidence in the tremendous achievements and potential of democracy, students can pursue, in the democractic tradition, the never-ending search for ever better ways of meeting the problems which arise within the framework of our dynamic, democractic society.

It is most important that youngsters be guided to a sober and thoughtful approach to the many pressing problems of our day. Such training by a teacher requires that he, himself, be particularly careful in example and procedure to set the highest standards of objective scholarship. Several principles formulated in Curriculum Bulletin No. 6, 1946-47, American History and Economics in the High School Curriculum are relevant:

> Teaching which cannot distinguish between fact and opinion or which lacks the intelligence, tact, or skill requisite for the presentation of controversial material, or which, by example, by word, by action, by the power of position, habitually seeks to impose upon pupils special theories and interpretations of life of events, or of government, can only be characterized as unsatisfactory and incompetent.

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>
> On occasion and at appropriate age levels, the teacher must honestly answer the pupils' mature queries as to what the teacher might personally think about a given issue, problem, or point of view. The good teacher, however, will not only permit, but will actually encourage pupils to object to and criticize the point of view that he might present as his own personal interpretation.
>
> (The teacher's responsibilities include) the responsibility to achieve a scholarly competence, the responsibility to teach a controversy as a controversy and to present opinion as opinion, the responsibility to teach the truth and to admit ignorance when the truth is not known, the responsibility of developing in pupils a healthy respect for facts and of avoiding "opinionated and inflammatory pronouncements," the responsibility of avoiding the teaching of issues that are beyond the comprehension of pupils at a given age level, and finally, the responsibility of maintaining and manifesting at all times a decent respect for the dignity and worth of each individual.

Current Affairs

Throughout the year, important events that are related to the course of study will be woven into the curriculum. Should an event of unusual local, national or international significance occur, such as an outbreak of war, a milestone in space exploration, a peace settlement, or a breakthrough in science, provision should be made for teaching about this event even though it is not specifically stated in the course of study or learning activities.

Objectives of the Course of Study

To develop student ability for making economic decisions by objective, rational analysis.

To increase fundamental understanding of economic concepts and problems.

To enable students to evaluate and apply source materials in order to understand our own and other economic systems.

To deepen student awareness of his personal responsibility for the preservation and expansion of individual rights and liberties.

To develop the ability to synthesize information and ideas so that students can understand the interrelationships that exist within any society and among all societies.

To appreciate the importance of good economic analysis in making possible a rising standard of living and the opportunity to participate in the economic, social, and political life of our society.

To develop an awareness that poverty and discrimination are a waste of human and material resources adversely affecting all members of society.

To develop the skills necessary to become an effective consumer and thus contribute to the wise allocation of goods and services.

To develop abilities in critical evaluation of printed economics materials; to use charts, graphs, statistics and other pertinent data for understanding and working out solutions to economic problems.

Summary of Course

Since basic concepts in economics have been incorporated in all the social studies courses, Grade 12 students should possess greater knowledge of both the structure and mechanics of the economic world. Thus, it is expected that students will utilize previous learning experiences and apply them to this course.

The student is first motivated to explore his role in the economic system. He is then introduced to the American market system and its goals. In the next theme, he is introduced to the methods of production and the concept of productivity. He then analyzes these conditions which lead to high productivity and investigates the organizational methods used by business in the production of goods and services.

Now the student is ready to explore the distribution of income in a market economy.

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Now the student is ready to explore the distribution of income in a market economy. The third theme deals with problems of income distribution, the shares received by those who contribute to production. This unit concentrates on the role of labor and the problems of poverty.

In the fourth theme the student evaluates the methods of determining the measure of the nation's economic performance. He analyzes the factors contributing to growth, explores the dangers of inflation and recession, and then attempts to discover "remedies" for maintaining growth and stability in the economy.

Theme five provides opportunities for students to apply the skills and concepts acquired thus far to study the growing problems of Metropolitan areas. A case study of New York City is suggested to make the problems real and meaningful to students.

The student is now ready for an exploration of the contrasts and similarities of our economy and that of the Soviet Union. He will, in this sixth theme, investigate their philosophies, their approaches to the economizing problem, and their performance.

Finally, the seventh theme introduces students to some problems in international economics; international trade and economies of developing nations.

How To Use This Bulletin

The materials for this grade are arranged in two sections. Section I presents the course of study. It includes a brief introduction, a summary of the course, the course objectives, a list of the major themes, suggested time allocations, and an outline of content. Basic understandings and related concepts from history and the social sciences are indicated for each theme.

Section II contains suggested learning activities and resources. The learning activities are organized around the same themes that appear in Section I and reflect a variety of teaching techniques. Included are samples of instructional materials and specific lesson suggestions. These highlight major concepts and skills that pupils should derive from the learning experience.

Also included in Section II are evaluative suggestions.

Recommendations for Teachers Implementing This Bulletin

1. Read both Sections I and II before planning.
2. Consult the lists of books and audiovisual materials for useful instructional resources.
3. Select and adapt learning activities in accordance with the interests, backgrounds, and abilities of the pupils. (In general, more activities have been provided than most teachers will be able to use within a single year.)
4. Create learning activities for those aspects of a particular theme

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4. Create learning activities for those aspects of a particular theme for which additional activities are desired.
5. Use the evaluative suggestions in Section II to test pupil achievement.

This is a citywide curriculum. Modifications must therefore be made to meet the special needs of districts and schools under the direction of assistant superintendents and principals. Further adaptations will of necessity be made at the classroom level as the teacher plans the daily work for a particular group. These adaptations should, of course, reflect the overall philosophy of the program.

This is also an ongoing curriculum. The curriculum staff will use the feedback sheets attached herein in shaping the definitive courses of study and learning activities. Every effort will be made to develop additional instructional aids as requested by teachers and supervisors.

No curriculum bulletin is ever final. The staff responsible for the preparation of this material looks forward to your continued assistance in the development of a program rooted in sound scholarship; dedicated to the needs of all our children; and reflecting the best judgment and experiences of New York City teachers, supervisors, community leaders, and other groups concerned with educational progress.

COURSE OF STUDY

THEME I: AN INTRODUCTION TO ECONOMICS AND ECONOMIC PROBLEMS

Overview

Economics is the study of the ways in which society uses its available resources to satisfy its wants. Economics decision-making and policy choices require rational analysis. Using discovery and related techniques, this unit explores with the student his stake in our economic system.

The theme opens with the problem of economic choice with which all individuals and societies must cope. It follows with an analysis of how individuals and societies have tried to solve this problem in the past, and how our current system has emerged and developed to deal with these same problems.

NOTE: TEACHERS CAN EXPAND PAGE 7-4 FOR STUDENTS ACHIEVING BELOW GRADE LEVEL. THIS SECTION CAN BE THE FOCUS FOR DEVELOPING THE CONTENT, UNDERSTANDINGS AND CONCEPTS OF THEME I.

How Do Economic Choices Affect the Individual and Society?

1. Why do individuals make economic choices?
    a. Choice is based on our goals - money, pleasure, fame, knowledge, security.
    b. Each person establishes priorities in his choices
    c. Individuals must give up something in order to get what is currently desired (opportunity cost)
    d. Choice involves decisions, i.e., spending, saving, borrowing
2. Why do societies make economic choices?
    a. All societies have goals - e.g., freedom, security, justice, growth, efficiency, and stability
    b. Each society establishes priorities among its goals and allocates its resources accordingly
    c. The values of a society help determine the choices it makes
    d. There is a growing concern for improving living standards - education for job improvement, health, use of leisure time, dilemma of affluence and poverty, "revolution of rising expectations"
    e. Choices made affects the standard of living of a society - missiles, housing, health, education, poverty program, food

How Do Individuals and Society Make Economic Choices?

1. Scarcity is the basic economic problem of all societies
    a. The basic economic problem of both individuals and societies is that the resources available are limited in relation to the human wants
    b. The cost of using resources to satisfy one set of wants is such that they cannot be used at the same time to satisfy other purposes. (Individual - phonograph vs. transistor radio; Government - Poverty Program vs. Trip to Moon)
2. Economic decision making

Overview

Economics is the study of the ways in which society uses its available resources to satisfy its wants. Economics decision-making and policy choices require rational analysis. Using discovery and related techniques, this unit explores with the student his stake in our economic system.

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2. Economic decision-making requires rational analysis.
    a. Decision making
        (1) Individuals make decisions about how to get the money to buy goods
        (2) Societies must decide what products to produce (allocation of resources); how it will be produced (man, machine or man and machine); who will get the goods and services produced (distribution of income)

b. Rational analysis in economics includes:

(1) Knowledge of facts and issues, e.g., production, income
(2) Identification of important goals and objectives
(3) Listing of available alternatives and consideration of possible consequences
(4) Decision on a course of action which is likely to satisfy personal goals or those of society

(Care must be taken to separate "long term" and "short term" results. A youngster leaving high school before graduation may earn more in the short run, but graduates will generally earn more in the long run.

Understandings	Concepts
Individuals and society want improved living standards.	All human beings have certain basic needs. (A-S)
Human wants are virtually unlimited.	The goals of society have varied in different times and places. (H)
Scarcity is characteristic of all societies.	Human wants are greater than the available resources. (E)

What is the Nature and Function of the American Economic System?

1. Societies have established three basic economic systems.
    a. Traditional economy - decision-making and its problems - customs of early societies
    b. Command economy - advantages and problems of centralized decision-making - USSR
    c. Private enterprise - decentralized decision-making - US

2. How did the American economic system emerge?
    a. Many forces combined to transform economic institutions into a market system - crusades, guild system of middle ages, emergence of cities, development of a merchant class, development of national political units, exploration, joint stock company
    b. The American economic system is a form of the market system (capitalism)

3. How does price act as a regulator in the market system?
    a. Markets exist when a buyer and a seller can exchange goods and services at a given price
    b. Consumers and producers react to prices
    c. Consumers tend to buy more at lower prices

consequences

(4) Decision on a course of action which is likely to satisfy personal goals or those of society

(Care must be taken to separate "long term" and "short term" results. A youngster leaving high school before graduation may earn more in the short run, but graduates will generally earn more in the long run.

Understandings	Concepts
Individuals and society want improved living standards.	All human beings have certain basic needs. (A-S)
Human wants are virtually unlimited.	The goals of society have varied in different times and places. (H)
Scarcity is characteristic of all societies.	Human wants are greater than the available resources. (E)

What is the Nature and Function of the American Economic System?

1. Societies have established three basic economic systems.
   a. Traditional economy - decision-making and its problems - customs of early societies
   b. Command economy - advantages and problems of centralized decision-making - USSR
   c. Private enterprise - decentralized decision-making - US

2. How did the American economic system emerge?
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3. How does price act as a regulator in the market system?
   a. Markets exist when a buyer and a seller can exchange goods and services at a given price
   b. Consumers and producers react to prices
   c. Consumers tend to buy more at lower prices while sellers tend to offer for sale more goods and services at higher prices
   d. Demand for a given product may be affected by one's income, fads, and prices of substitute goods, e.g., mini-skirts, margerine vs. butter
   e. The impact of price changes on consumer demand varies from product to product (elasticity of demand), e.g., bread, inelastic; cars, elastic
   f. Supply of a given product is affected by the costs involved, e.g., wages, materials
   g. In theory, prices are set at that point where consumers will buy all that is offered by producers
   h. In reality, prices are affected by the policies of big unions, big business and government, e.g., wage contracts, monopolistic competition, monopoly, minimum wage laws, rent control
   i. Monopolistic practices distort the pure market economy and have led to government intervention. (See Theme II,P.11)

gathering data, seeking insights into
problems, arriving at

4. What is the consumer's role in our market system?

   a. The consumer should consider many factors before buying goods and services e.g., price, quality, need, degree of satisfaction, priority, buying at the right time and place
   b. Young people have a significant impact on the market today, e.g., music, clothes
   c. There are many factors making consumer choice difficult, e.g, variety of articles, numerous brands, lack of technical knowledge, social pressure, advertising and promotional devices
   d. Government and private agencies try to help the consumer

      (1) City agencies - Department of Markets, Department of Consumer Affairs, Health Services Administration
      (2) State agencies - Consumer Frauds Division, Department of Markets, Department of Agriculture
      (3) Federal agencies - Federal Trade Commission, Interstate Commerce Commission, Department of Agriculture, Department of Health, Education and Welfare, Food and Drug Administration, President's Consumer Advisory Council, Department of Housing and Urban Development
      (4) Private groups - Consumers Union, Better Business Bureau, Consumer Cooperatives

5. How has the market system made man interdependent?

   a. Modern man satisfies his needs and wants through specialization (division of labor), capital accumulation, and trade
   b. Individuals and groups provide producers with factors of production - land, labor, capital, management
   c. Individuals and groups receive incomes in the form of wages, rent, interest, profits
   d. Incomes are used to buy the goods and services provided by producers. This leads to further production (Circular flow)
   e. Incomes that are not spent are saved and invested by others, e.g., banks, insurance companies

6. Why is the American Economy called a "mixed economy?"

   a. Our economic system, capitalism, is characterized by private property, profit motive, freedom of contract, competition, freedom of choice
   b. There has been an increase in the role of Government in our economy

      (1) Today one out of every six workers in the U.S. is employed by local, state or federal government; one out of every five dollars spent in the U.S. is spent by government
      (2) Government has intervened in the market mechanism to protect the consumers, to aid labor, farmers and industries; to provide for the aged, sick, and needy; to promote or reduce competition; to assume responsibility for the stability of the economy.

Understandings	Concepts
The purpose of an economic system is to decide how to use its limited resources.	Society must choose between competing desires in order to establish priorities for what

buying at the right time and place

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Understandings	Concepts
The purpose of an economic system is to decide how to use its limited resources.	Society must choose between competing desires in order to establish priorities for what our scarce resources can produce (E)
Decisions of buyers and sellers are affected by price changes	In a private enterprise economy such as ours, changes in prices largely determine the use that will be made of resources. Prices are basically determined by the demand for and supply of goods and services (E)

Understandings (contd.)

Consumers must weigh all available information to make intelligent decisions.

The interdependence of the market system allows everyone to work together for the benefit of all.

The economic role of our government has expanded.

Concepts (contd.)

Consumers will generally choose
to purchase with their limited
income those goods and services
which give them the greatest sa
isfaction (E)

Group living requires cooperatio
within and between groups (A-S)

Democratic governments provide protection for the rights of individuals and minority groups (PS)

THEME II: ORGANIZING PRODUCTION TO SATISFY ECONOMIC CHOICES

Overview

The revolution in industrial methods, techniques, and equipment has continued at an accelerated pace. The introduction of new industrial methods markedly changed man's daily living and working habits. Competition of the free market encouraged men to seek more efficient methods of producing and marketing goods and services.

This theme begins with the concepts of production and productivity and continues with an analysis of conditions leading to high productivity. Business units for producing goods and services are briefly described, followed by a study of the impact of big business on the American economy. (Teachers may wish to develop P. 11 with Theme I, P. 6.)

What is the role of production in our society?

1. What is production?

   a. Production is the output of goods and services resulting from the use of labor, capital, and other resources.
   b. The goods and services produced by a society depend on how management organizes and uses its resources.
   c. Increased production per worker (productivity) has made possible higher standards of living.

2. What factors favor increased productivity?

   a. Natural resources, e.g., iron, lumber, land, water.
   b. Human resources - number, health, education, and skills of workers.
   c. Capital resources - to organize resources efficiently.
   d. Managerial resources - to organize resources efficiently.
   e. Technology - inventions, new sources of power, automation, know-how.
   f. Environment - laws, customs, religion, government attitude.

Why does the United States enjoy high productivity?

1. The United States has many developed resources, good fertile soil, fine harbors, and a variety of climates.

2. Labor skills have increased, e.g., training by unions and industry, education.

3. Competition has stimulated less expensive and more efficient methods of production and the introduction of new products.

4. Research and development by individuals, government, and universities has improved technology.

5. Government has promoted industrial development, e.g., aid to railroads, immigration policy.

Understandings	Concepts
Producers Procedures must combine available re-	Producers use human, natural, and

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Understandings	Concepts
Producers ~~Procedures~~ must combine available resources to provide goods and services	Producers use human, natural, and capital resources to make goods and services (E)
Producers seek new methods that provide greater efficiency	Producers try to keep their costs of production down and their profits up (E)
Technological change is greatly responsible for our rising standard of living	Capital is a key factor in producing more goods (E)

How does our system organize production?

1. What is the role of profits?

    a. An incentive for business investment
    b. Represents a guidelines for determining the success of a business
    c. Encourages businessmen to allocate resources efficiently and where needed
    d. The economy grows by reinvesting profits

2. How do business firms organize?

    a. Single Ownership (Entrepreneur)

        (1) Most business firms in the U.S. are single proprietorships
        (2) Suffers from the inability to raise large amounts of capital and from unlimited liability (owner is personally responsible for all debts of business)

    b. Partnership
        (1) Enables pooling of additional capital and skills
        (2) Suffers from unlimited liability of each partner for business debts
    c. Corporation
        (1) Permits pooling of large amounts of capital because investors are liable only for their investment
        (2) Must pay corporate taxes
        (3) Ownership and management are separated in large corporations

3. How important is the corporation?

    a. Most corporations in the U.S. are small business firms that do not sell any stock. They incorporate to gain the benefit of limited liability
    b. Corporations own vast resources and hire specialists in production, sales, and management
    c. Corporations have greater output, assets, and employment than any other form of business organization
    d. Through the sale of shares of stock to the public, the corporation can pool vast sums of capital

4. What is the function of the securities markets?

    a. Types of securities - common and preferred stock, Federal government, Municipal, and Corporate Bonds
    b. People buy securities as investments and for speculation
    c. Information about securities can be obtained from many sources, e.g., broker, financial pages of a newspaper, corporation prospectus
    d. Buying and selling securities - stock exchanges, over-the-counter, buying on margin
    e. The Stock Exchanges are regulated - self-regulated, Securities and Exchange Commission, Federal Reserve Board

Understandings	Concepts
The profit motive and competition play an essential role in our productive system	In order to make a profit, businessmen tend to produce those products that consumers desire most. Producers try to keep their costs of production down and their profits up (E)
The corporation has emerged as a dominant force in our ecoonmy	Man organizes many kinds of groups to meet his social needs (A-S)

How do businesses combine?

1. What are the forms of business combination in our society?
    a. Four types of combinations - horizontal (identical products), vertical (all or most steps of production), circular (same marketing channels), and conglomerates (diversity).
    b. Informal methods, e.g., gentleman's agreement, price leadership, interlocking directorate
    c. Formal arrangements, e.g., pool, trust, holding company, merger

2. Why are big business combinations defended?
    a. Large scale production lowers overhead costs per unit, e.g., rent, insurance
    b. Mass production methods bring economies and standardization, e.g., assembly line, specialization
    c. The wastes of competition are eliminated
    d. Growth of scientific management for greater efficiency
    e. Research is encouraged and by-products are developed
    f. Substitute products and "countervailing power" will prevent abuse of power
    g. Big business has assumed a greater degree of social responsibility.

How does big business reflect elements of monopoly as well as competition?

1. How much competition do we have in our economy?
    a. Monopolistic competition - many sellers with similar but different products; most businesses today
    b. Oligopoly - few sellers with similar products, e.g., cars
    c. Natural monopoly - public utilities, e.g., telephone, gas, electric
    d. Legal monopolies - e.g., patents, copyrights, trademarks
    e. Monopoly - measured by ability to direct price and output, not by size or type of business organization

2. Why is big business concentration opposed?
    a. Prices are higher, output is restricted and resources are not allocated efficiently.
    b. New techniques and new products are discouraged
    c. Danger of undesirable political, economic and social power
    d. Great size may be a disadvantage - diminishing returns
    e. Automation and technological displacement
    f. The bulk of production is concentrated in the hand of relatively few large corporations

How has the government attempted to maintain competition?

1. Anti-monopoly legislation - Interstate Commerce Act, 1887; Sherman Anti-Trust Act, 1890; Clayton Anti-Trust Act, 1914; Robinson-Patman Act, 1936.

2. Action against attempts to "restrict competition," e.g., General Motors Case, Electrical industries

3. Anti-trust enforcement is controversial and often confusing, e.g., railroads, airlines, newspapers.

Understandings	Concepts
Big business has aided the growth of the American economy	Specialization and the division of labor make possible greater efficiencey in producing goods and services (E)
Monopolistic practices have hindered our competitive market system	Economic systems vary widely in their theory and practice (E)
Our government has aided industrial growth and has checked its abuse of power	Government make rules to promote the interest of society (P.S.)

THEME III: HOW INCOME IS DISTRIBUTED IN OUR MARKET ECONOMY

Overview

An important question for any economic system is how to distribute the goods and services the economy produces. The issues raised are often of an economic and non-economic nature. They often involve the private and public sectors in their solution.

This theme begins with a discussion of the determinants of income distribution, and continues with three areas of major concern in the area of income distribution - poverty, labor income, farm income. Teachers may discuss profits in this theme as well as in Theme II.

NOTE: TEACHERS CAN EXPAND THE CONCEPT OF INSURANCE ON PAGE 15, FOR STUDENTS ACHIEVING BELOW GRADE LEVEL.

What Factors Determine the Distribution of Income?

1. Each factor of production (land, labor, capital, management) receives income in the form of wages, rent, interest, and profits.

2. Some people receive transfer payments not related to productive services; e.g., social security.

3. Related to the market value of individual contributions to the economy; e.g., the supply and demand for specific natural resources, labor and capital.

4. Economic groups may advocate policies which tend to increase the incomes of their own members, e.g., labor unions, farmers.

5. Government uses taxes and transfer payments to change the distribution of income; e.g., parity payments, unemployment insurance.

Understandings	Concepts
Individuals receive income in the form of wages, rent, interest, and profits.	Income comes from individual contributions to the production of goods and services. (E)
Economic interest groups such as workers, farmers, and the poor have tried to increase their share of the total income.	All men have the right to an adequate standard of living. (CL)

Unequal Income Distribution and the Problems of Poverty

1. Who are the poor?

   a. Poverty in the U.S.A. is officially measured by a fixed standard of real income based on the cost of a minimum human diet
   b. Poverty affects all groups but particularly rural farm families, non-

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1. Who are the poor?
   a. Poverty in the U.S.A. is officially measured by a fixed standard of real income based on the cost of a minimum human diet
   b. Poverty affects all groups but particularly rural farm families, non-white families, families headed by a female, those lacking education or skills, the aged and infirmed
   c. A functional distribution of income indicates that 1/5 of our families are in poverty although the gap is closing

2. Why does poverty exist?
   a. Discrimination and unequal opportunity
   b. Technological change in industry
   c. Movement from the farm to the city
   d. Broken family life and sense of despair and hopelessness - both cause and effect of poverty

3. How can we eliminate poverty?
    - a. Structural approach - breaking the barriers and keep families locked into poverty; e.g., Economic Opportunity Act, 1964 ("War on Poverty") - Job Corps, Head Start, Vista, Community Action Program, Neighborhood Youth Corps
    - b. Transfer Approach - redistribute income and raise income of poor; e.g., Public Assistance Allowance, Family Allowance, Social Insurance Provisions, Guaranteed Income ("Negative Income Tax"), Proposals for New York City Welfare Program
    - c. Economic growth of the entire economy can help to reduce poverty
    - d. There is a role for the private sector of our economy in The War on Poverty; e.g., retraining, education.

Understandings	Concepts
Poverty may be caused by factors beyond the control of the individual.	The environment in which a person lives greatly affects his opportunities for personal growth and development. (A-S)
Poverty has had its greatest impact on select groups in our society but affect the total society.	All men have the right to an adequate standard of living. (P.S.)
The public and private sectors of our economy must join together to combat poverty.	Civilizations develop as mean successfully meet problems arising from changes: Civilizations decline and disintegrate as men fail to adapt to new circumstances. (H)

What is the Role of Wages and Labor in Our Market Economy?

1. What are wages?
    - a. Wages represent a cost to the employer and an income to the worker
    - b. In addition to money wages, employees receive pensions, social security, vacation and sick pay, and other "fringe benefits"
    - c. A worker's "real wage" is the purchasing power of his money wage.

2. Why do wages differ?
    - a. Supply and demand for specific skills at a given time
    - b. Demand for a specific product or service
    - c. Depends on skill, training, education, and/or ability of worker
    - d. Differences in productivity among persons and occupations
    - e. The nature of the worker's job; e.g., safety and health risks
    - f. Imperfections in the market system; discrimination by sex or race.

3. What changes are taking place in our labor force?
    - a. Women are increasingly entering the labor market
    - b. Technological developments have decreased the need for farm and factory workers
    - c. Growth is taking place in service industries, government employment, and white collar jobs in professional and technical fields
    - d. Greater mobility influences job opportunities, availability of information and pension programs
    - e. More training and education of workers - e.g., on the job training
    - f. Special programs for hard core unemployed open new opportunities in economically deprived communities.

4. How have workers tried to improve their wages, security and other conditions?
    - a. Workers joined labor unions to improve their bargaining position with management and gain other benefits
        - (1) Different types of unions are organized to meet craft and industry - wide needs; e.g., Knights of Labor, American Federation of Labor, Congress of Industrial Organizations
        - (2) Since 1945 unions have not grown in proportion to the increase in the labor force
        - (3) Unions have provided or pressured for government and private programs to make the worker more secure.
            - a) Pensions
            - b) Life insurance
            - c) Medical and health insurance
            - d) Unemployment benefits
            - e) Workmen's compensation
            - f) Social Security
    - b. Unions have represented workers in collective bargaining
        - (1) The great majority of labor-management disputes are peacefully resolved through direction negotiations
        - (2) Negotiation, mediation, fact-finding and arbitration are used in varying degrees to resolve labor-management differences
        - (3) When disputes arise labor and management resort to various pressure techniques; e.g., strike, lockout, strike threat, public appeals
        - (4) Government has affected labor-management relations.
            - a) The government has passed legislation to improve the working conditions and advance the health and welfare of workers; e.g., Social Security Act, regulation of child labor
            - b) More workers are continually being covered by minimum wage laws
            - c) Legislation has prohibited discrimination in hiring and discrimination in union membership
            - d) Legislation has improved the bargaining power of unions; e.g., Wagner Act, 1935
            - e) Certain union practices have been prohibited by the Taft-Hartley Act, 1947 - e.g., closed shop, strikes without a cooling-off period
            - f) Greater democracy within unions as fostered by the Landrum-Griffin Act, 1959 - e.g., Members guaranteed right to vote in union elections, limits placed on length of time between elections
            - g) Growing public concern has led government to reassess the

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g) Growing public concern has led government to reassess the collective bargaining process particularly in the area of public employees.

Understandings	Concepts
Labor productivity is a major factor in determining labor's share of income.	Income mainly comes from individual contributions to the production of goods and services. (E)
Labor's productivity has increased due to technological and educational advances.	Real increases in production are largely the result of an increase in the worker's ability to produce. (E)

Workers have organized unions to provide increased benefits and job security.	Man organizes many kinds of groups to meet his social needs. (A-S)
Government has both aided the worker and checked the abuses of power by unions.	Governments make rules to promote th interests of society. (PS)

How Have Farmers Organized to Obtain a Greater Share of Income?

1. Why have farmers felt a need to organize?

   a. Problem of supply and demand

      (1) The technological revolution in agriculture enables the farmer to produce more than the increase in demand for his product, thus a surplus results
      (2) Since many farm products operate under inelastic demand, lowered prices do not stimulate sales
      (3) When prices fall, farmers increase output. Thus prices tend to fall still lower
      (4) High fixed costs encourage continued production even when prices fall.

   b. Problem of rural poverty

      Many farmers are marginal farmers and on the average, their incomes are low and have not kept pace with rising prices or industrial incomes

   c. Other problems

      (1) Although large corporate farms exist, and the number of persons engaged in farming has declined, farming continues to be a highly competitive industry
      (2) Historically, the farmer has been burdened with high middleman costs; e.g., railroad
      (3) Dependence on long-term credit has often resulted in debtor status for farmers

2. How has the farmer organized to overcome his problems?

   a. Pre-New-Deal - Silver Purchase Acts, "Granger Laws," Interstate Commerce Act
   b. Since 1933 - At times restricts farm supply and production, provides credit, price supports, soil bank, Food For Peace Program

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Understandings	Concepts
Farm productivity has expanded due to great technological changes.	Producers use human, natural and capital resources to make goods and services. (E)
Farm surpluses and inelastic demands resulted in lower farm income.	Earth changes man and man changes earth. (G)
Government action has tried to deal with the problems of low farm income.	Governments have grown more complex in response to changing needs and conditions. (PS)
The attempts to solve farm problems by farmers and governments have not always been successful.	Progress occurs as men meet the problems resulting from change with varying degree of success. (H)

What is the role of profits in our society?

1. Profits are a return to one of the factors of production.
2. They act as an incentive for business investment.
3. They represent a guidelines for determining the success of a business.
4. The drive to maximize profits encourages businessmen to allocate resources efficiently.
5. The economy can grow by reinvesting profits.

Understandings	Concepts
Profits are the businessmans share of national income.	Income mainly comes from individual contributions to the production of goods and services. (E)
Profits vary from industry to industry and from firm to firm.	In order to make a profit, businessmen tend to produce those products which consumers desire most. Producers try to keep their costs of production down and their profits up. (E)
The expansion of business depends on the growth of profits.	

(The role of profits may be studied here or in Theme II)

THEME IV. HOW WE TRY TO MAINTAIN A GROWING AND STABLE ECONOMY

Overview

Economic progress depends upon the ability of a nation to increase its total output faster than population increases. The ability of the American free enterprise system to do this hasresulted in a continually rising standard of living for its citizens. However, this growth has not been steady, but has been marred by intermittent booms and depressions. If we are to continue to provide our citizens with greater opportunities for a fuller life, and, at the same time, discharge our responsibility to the emerging nations and the free world, it is necessary that our economic system show continued growth with stability.

The theme begins with an examination of the "kit of tools" by which we determine and measure the nation's economic performance, continues with an analysis of the factors contributing to growth, explores the dangers of inflation and recession, and concludes with a study of the "remedies" for maintaining growth and stability centering around monetary and fiscal policy.

NOTE: TEACHERS CAN EXPAND PAGE 20-1 (CREDIT), AND PAGE 21-1 (TAXES), AND CAN PLACE LESS EMPHASIS ON POLICY DECISIONS FOUND IN PAGE 20-3 AND PAGES 21 - 22 , FOR STUDENTS ACHIEVING BELOW GRADE LEVEL.

What is Economic Growth?

1. Why is it important to measure a nation's economic performance?
    a. If a nation's total output increases faster than the increase of population, a higher standard of living is possible
    b. Knowing the level of economic performance at any given time may indicate whether measures should be taken to improve that performance
    c. Measures of performance should be compared cautiously with previous years and with other countries to determine progress
2. How Do We Measure a Nation's Economic Performance?
    a. Gross National Product (GNP) - The total dollar value of all goods and services produced in the economy in one year, e.g., 1969-$932.1 Bil.
    b. National Income - The total of all incomes earned during the year by business and individuals, e.g., 1969-$771.0 Billion.
    c. In order to compare GNP of different years, GNP must be stated in constant dollars which have had the same purchasing power
    d. The Consumer Price Index (CPI) is a relative measure of price changes compared with a given base year, e.g., 1969-124

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   d. The Consumer Price Index (CPI) is a relative measure of price changes compared with a given base year, e.g., 1969-124
   e. If real GNP per capita is rising considerably then the economy is performing well and growing
   f. A nation's economic performance may also be measured in terms of employment, unemployment, price and sales of wholesale goods and other indices.

3. What Are the Keys to Economic Growth?

   a. The maximum a nation can produce is determined by its productive resources and technology available - e.g., national resources, labor productivity, tools, machinery and plants.
   b. There are often intangible factors contributing to growth - e.g., individual initiative, government stability, culture
   c. If an economy is operating at or near its capacity, growth requires that we expand our output per capita (productivity)
   d. If an economy is operating below its capacity, growth requires an increase in the demand for goods and services to put idle men and machines to work
   e. The U.S. has about 6% of the world's population, but its GNP is 1/3 of the world's total. GNP in the U.S. has been increasing at an average rate of 3% per year since 1900, while population has increased at a rate of 1% per year.

   f. Growth has been uneven in various periods of our history, e.g., 1930's vs. 1960's

4. What are the barriers to Economic Growth?

   a. The failure of total demand, or spending, to keep up with a nation's capacity to produce - e.g., unequal distribution of wealth
   b. Underdeveloped economies must have capital and technological know-how to grow. Capital may be imported or accumulated by reduced consumption (saving)
   c. Poor societies cannot afford the investment in education essential for growth
   d. Instability and uncertainty of future developments hinder growth by discouraging investment
   e. Growth can cause temporary dislocation - e.g., "depressed areas," "distressed industries"

Understandings	Concepts
Total output in the economy is measured by gross national product.	Changes in a private enterprise economy result from decisions made by consumers, producers and/or government. (E)
Economic progress depends on growth in total output that is faster than population increases.	Increased production makes possible the greater satisfaction of man's wants. (E)
Growth in total output depends on the level of total spending as well as on growing productive capacity.	The economy grows mainly as a result of decisions of consumers to spend and to save, and of producers to invest. (E)

What Is Economic Stability?

1. How do business fluctuations affect economic growth and stability?

   a. Recessions and depressions are periods of declining economic activity - e.g., declining GNP and employment
   b. Booms are periods of rising economic activity
   c. In severe depressions, millions are unemployed, factories lie idle and billions of dollars of potential output are wasted because of the lack of effective demand for goods and services - e.g., depression of the 1930's
   d. Booms bring prosperity to nearly all groups in society - businesses sell near their capacity output; wages, profits and employment are high - e.g., post World War II in U.S.
   e. Not all segments of society are affected equally by prosperity or recession, e.g., minority groups, rural poor
   f. Recessions and booms vary in intensity.

2. What are the causes of instability?

   a. Inflation occurs when total spending (aggregate demand) by consumers, Business and government rises more rapidly than the economy's capacity to produce - e.g., under war-time conditions, price leadership and

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   a. Inflation occurs when total spending(aggregate demand) by consumers, Business and government rises more rapidly than the economy's capacity to produce - e.g., under war-time conditions, price leadership and industrial concentration, cost-push
   b. Recessions and depressions occur when total spending is insufficient to buy the output of the economy
   c. The relationships between the spending of consumers, business and government affect the fluctuation of our economy - e.g., multiplier accelerator, velocity of money, relationship between saving and investment
   d. Upswings and downswings tend to be cumulative once under way.

3. Economic stability and growth has become the responsibility of government under the Employment Act of 1946 - e.g., monetary and fiscal policy, debt management.

Understandings	Concepts
Booms and depressions have no single cause but are usually the result of a combination of causes whose relative importance varies from case to case.	Historical events have multiple causes and effects. (H)
If total spending is less than total capacity output, there will be unemployment of men and machines; if total spending exceeds capacity output, prices will rise.	The level of spending by consumers and the level of investment by businessmen play key roles in determining recessions or prosperity. (E)

What Is the Role of Money and Credit in Our Economy?

1. Why do we use money and credit?

   a. Money is any means of payment for goods and services that is generally accepted
   b. Money serves as a medium of exchange, a store of value, a standard of value and a standard of deferred payment
   c. Money consists of coins, paper currency, and demand deposits
   d. Credit is a promise to pay for present goods and services in the future

      (1) Consumer installement buying, charge accounts
      (2) Mortgages, college and auto loans
      (3) Short term credit in most transactions of business

   e. Most payments in our modern economy are made by check

2. How do banks create money and credit?

   a. Commercial banks create money by making loans to businessmen (Savings banks, life insurance companies, and other financial institutions also make loans and provide services such as savings accounts, safe deposit boxes, investment services and insurance to individuals and business. These, however, do not create money)
   b. The borrower receives a loan as a credit to his account. His check functions as money drawn against his account

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3. How can the Federal Reserve System control the supply of money and credit?

   a. Acts as a "bank for banks." A portion of member bank funds are held as "reserves" at the FED
   b. Provides for an elastic currency to meet business needs
   c. Too much money relative to business needs can foster inflation whereas too little money can foster a recession
   d. The FED can control the supply of money and credit --

      (1) Power to set reserve requirements (rarely used) .
      (2) Raise or lower interest rates it charges for loans to member banks (discount rate)
      (3) Creating fresh reserves through open market operations in government securities

   e. The selective use of monetary policy can help set the supply of money at a level that encourages full employment, at stable prices without inhibiting growth. (Employment Act 1946)

Understandings

The Federal Reserve System has a major responsibility to influence our banking system so as to avoid monetary instability and to promote stable economic growth.

Banks serve many purposes.

Concepts

Government policy of taxing, spending, borrowing, and controlling credit and money supply have powerful effects upon recessions or prosperity. (E)

Governments make rules to promote the interests of society (P.S.)

How Does the Federal Government Try to Provide for Growth and Stability?

1. How does the Federal budget affect economic growth and stability?
    a. The budget provides for revenue to finance government programs
        (1) Taxes may be used to regulate consumption and industry, promote industrial development and redistribute wealth
            a) May be based on benefits received (gasoline tax used for highway construction) or ability to pay (income and inheritance taxes)
            b) Tax rates may be progressive, regressive or proportional
            c) Some taxes are ultimately shifted to the consumer - e.g., excise tax, real estate tax
            d) Taxes may affect profits, savings and spending in the economy
        (2) Governments often borrow to finance spending
            a) Government debt is owed to the American people and financial institutions
            b) Most economists believe that the economic significance of the public debt is not so much its size as the timing and the purpose of the borrowing and the particular economic situation at the time
    b. Federal programs have provided for growth and stability
        (1) National defense is the largest part of our federal budget
        (2) Increased spending for health, education, labor, and housing
        (3) Other than economic factors may determine the type and level of spending, e.g., wars, political pressure.
2. What Are the Implications of Fiscal Policy?
    a. The Federal government has accepted the responsibility for maintaining economic stabilization - Employment Act, 1946
    b. Discretionary Fiscal Policy (tax, spend, borrow) can affect consumption and investment - e.g., New Deal Program
    c. Automatic stabilizers are at work to minimize the affects of fluctuations on our economy - e.g., unemployment insurance, progressive taxes.

What Are the Problems of Economic Policy Making?

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What Are the Problems of Economic Policy Making?

1. Information lags and shortcomings in the methods of forecasting
2. Lags in decision making - length of time from analysis to implementation
3. Lags in affecting the economy - policy change may first be felt several months later
4. Impact of policy on particular sector of the economy - e.g., home construction

5. Balancing political, social and economic considerations
6. Difficulty in correlating fiscal and monetary policy toward a desired goal
7. Differences in critically evaluating a particular policy.

Understandings	Concepts
Government tax policies have been largely limited to activities not effectively provided by the private sector.	Governments are established to do for the individual what he cannot do for himself. (P.S.)
The government tax policies can have a powerful influence on investment, business incentive, and income distribution.	Government policies of taxing, spending, borrowing, and controlling credit and money supply have powerful effects on recession and prosperity. (E)
Fiscal policy provides a potentially powerful tool to help stabilize total spending in the economy.	Governments make rules to promote the interests of society. (P.S.)

THEME V - ECONOMICS OF THE METROPOLITAN REGION CASE STUDY - NEW YORK METROPOLITAN AREA

Overview

New York City has long been considered one of the most important cities in the world. Its significance includes and goes well beyond the fields of culture, commerce and finance. In recent years urban centers, including New York City, are facing difficult problems in population movements, housing, social adjustment and finance.

This theme opens with an examination of some of the significant changes that have affected New York City. It then develops several problems of an economic and social nature that have developed from these changes. The theme closes with a discussion of what can be done to resolve some of our problems.

What Changes Have Affected the Economy of the New York City Metropolitan Area?

1. Population growth and change
    a. No population growth in New York City since 1950 although there has been growth in the total New York standard metropolitan statistical area
    b. Rural to urban population movements
    c. Urban to suburban population movements
    d. Economic and ethnic communities
    e. Outmigration of the middle class to a different political and fiscal entity
2. Patterns of industry and employment
    a. Decline of manufacturing industries in New York City
    b. Time, instead of distance, now a factor in locating industry and labor
    c. Shifting shopping centers
    d. Expansion of the concentration of service industries in New York City; e.g., commercial and financial offices
3. Growth of suburbs and its economic effect on the city
    a. Flow of people, goods and services to and from the "hub"
    b. Increased costs due to dependence on the central city for many services e.g., entertainment and culture
    c. Changing housing patterns - development of "gray areas" in terms of land use
    d. Industrialization and the development of industrial parks.

Understandings

Concepts

Continued changes in the urban

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Understandings	Concepts
Continued changes in the urban population presents the city with a variety of problems.	Change does not necessarily imply progress. (H)
The growth and development of New York City is tied to the changes taking place in the entire metropolitan area .	Historical events have multiple causes and effects. (H)
Changing industrial patterns are affecting economic growth in New York City.	Change is a constant in history. (H)

What Economic Based Problems have Developed in New York City?

1. Industrial and Employment Problems

    a. Business flight from New York City e.g., manufacturing
    b. Effect of zoning on business location
    c. Increased need for employment skills in white collar, commercial, finanacial and other service areas
    d. Growing government employment and its effect on labor-management relations
    e. High rate of unemployment and lower incomes for minority groups

2. Need for decent and adequate housing

    a. Social and economic costs of slums
    b. Need for low income housing
    c. Middle class housing that encourages middle class to remain in the city or to return
    d. Rent control and its effect on housing
    e. Effect of public and private housing, tax-exempt housing and cooperative houses
    f. The relationship between functional housing and aesthetic structures

3. Conservation Problems

    a. Land use

        (1) Zoning to meet industrial, commercial, recreational and residential needs
        (2) Unused poor use of land
        (3) Misuse of open space

    b. Air and water pollution; noise, garbage and waste
    c. Lack of sufficient water resources

4. Traffic and Transportation

    a. The effect of commuters on city transportation facilities and the need for efficient commuter services
    b. Congestion in the central business district during business hours
    c. Congested highways and roads
    d. Need for adequate public transportation
    e. Mass public transit vs automobile transportation in the Metropolitan area
    f. Competition of other east coast ports with the port of New York
    g. Increasing airport congestion and the need for rapid transit to airports

5. Fiscal Problems

    a. Increased services at higher costs
    b. Rising welfare costs
    c. Increased tax burden on dwindling taxable base due to the move to the suburbs
    d. Effects of the real estate tax as the main source of revenue
    e. Competitive problems of the sales and income taxes
    f. Competition of New York City and other urban centers for increased state and federal aid

6. Other related economic problems
    a. Maintaining and improving health services
    b. Providing for more recreation services
    c. Increasing demands for education and educational services
    d. Effects of crime and civil disorders

7. Multiplicity of decision-making bodies make it difficult to plan and carry out programs toward a desired end and often lead to duplication of services and overlapping jurisdiction - over 1400 governments in metropolitan area.

Understandings	Concepts
Adequate housing is a key element in our city's health.	The environment in which a person lives greatly affects his opportunities for personal growth and development. (A-S)
New York City's growth and development has created the need for conserving its limited land and other resources.	Geographic factors have a significant role in the life of a nation. (G)
Rising costs have created a need for reevaluating the sources and uses of revenue in New York City.	Human wants are always greater than the available resources. (E)
Cities must establish priorities for solving problems.	In any society choice determines the goods and services produced. (E)

What Attempts Are Being Made to Deal with Urban Problems

1. The role of government
    a. Creation of the Department of Housing and Urban Development and the Department of Transportation in the Federal Government
    b. Model cities program
    c. Federal - State - City programs in highway construction, Education, public housing, urban renewal and rehabilitation, mass transportation
    d. Tax incentives to private sectors to locate industry and to provide training and employment opportunities for the hard core of unemployed
    e. Proposals for tax sharing
    f. Regional planning and coordination
    g. Increased emphasis on city planning and a master plan
    h. Creation of independent authorities to deal with specific problems;

   c. Increasing demands for education and educational services
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   g. Increased emphasis on city planning and a master plan
   h. Creation of independent authorities to deal with specific problems; e.g., Metropolitan Transportation Authority, Port Authority
   i. High speed interurban trains
   j. Attempts to stagger working and delivery hours in New York City
   k. Proposals by the National Advisory Commission on Civil Disorders
   l. Suggestions for the creation of a unified metropolitan government

2. The Role of the Private Sector

   a. Industry programs toward desired social and economic goals

      (1) Job training
      (2) Making community aware of problems - Urban Coalition

   b. Innovations; e.g., Community Action Programs, decentralization and changing school curriculum, Black capitalism

Understandings	Content
Individuals should participate in local community programs.	Democratic living entials duties and responsibilities as well as rights and privileges. (P.S.)
A combination of public and private planning is needed to meet the city's problems.	Governments are established to do for the individual what he cannot do for himself. (P.S.)
The urban crisis requires national attention since urban problems are becoming more complex.	National and local units of government are interrelated and interdependent. (P.S.)

THEME VI - COMPARATIVE ECONOMIC SYSTEMS - THE SOVIET UNION

Overview

Man has developed a variety of economic systems to deal with the problems of his society. These systems have generally been categorized by the decision making process of tradition, command, and the market. Today we find that no economy, ours included, operates completely within its theoretical frame but moves in varying degrees from it.

By studying the economy of the Soviet Union we can readily see another approach to "solving" basic economic problems we encountered in Theme I. We are also afforded an opportunity to review our own economic system by comparing the differences and similarities between American and Russian philosophy, economic approach, and performance.

Time permits just a study of one other economic system. It is understood, of course, that other economic patterns exist and teachers may wish to pursue these in order to provide valuable learnings.

What is the Structure of the Soviet Economy?

1. The Soviet economy is a mixed planned socialist economy i.e., goals and planning are directed by the Communist Party.

   The United States is mainly a price directed economy with some roles played by government.

2. Central Planner (Gosplan) implements the program for the economy.

   a. Priority system of production
   b. Production quotas
   c. Set prices

3. Prices are set to assure and enforce state-desired goals for the distribution of goods and services and the fulfillment of other goals. They do not serve as guides as in a market economy. Prices are used to regulate consumption.

4. Unlike the United States, the Soviet Economy is characterized by public ownership of the means of production, e.g., factories, mines, railroads, retail establisments, natural resources.

5. Some private enterprise does exist e.g., peasants' agricultural markets, small shops, repairs, some professional services.

6. The wage system is based on piece rates with special differential

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5. Some private enterprise does exist e.g., peasants' agricultural markets, small shops, repairs, some professional services.

6. The wage system is based on piece rates with special differential wages, and supplemental, or cheaper, consumer rations to attract more workers or induce greater output.

7. Private profit from the employment of others or the resale of goods is generally not permitted.

   a. Planned profits represent savings that are used for many purposes including the promotion of capital accumulation
   b. Profits do not represent a reward for risk-taking

8. Agriculture employs many Soviet workers.

   a. Collective farms (kolkhozy)

      (1) Most of the output goes to the state, the remainder to the members
      (2) Wages are determined by the type and productivity of labor performed

   b. State farms (Sovkhozy) - farm workers on wage basis
   c. 3% of cropland in small private plots accounts for 30% of farm output

9. The Central government attempts to stabilize the flows of money.

   a. The state budget regulates spending and investment
   b. State bank regulates the economic functions performed by business
   c. Turnover tax

      (1) An added-on tax regulating the financial behavior of the consumer and business
      (2) The most important source of revenue for the Soviet government.

Understandings	Concepts
In the Soviet economy, planners implement party directives on what is to be produced and how it shall be produced.	Societies develop economic systems in order to allocate limited resources. (E)
Capital goods and natural resources are stated owned.	Governments exist to make rules for group living. (P.S.)
Most individuals receive their incomes through wages that are controlled to regulate consumption.	The decisions to produce capital goods rather than consumer goods is made possible by savings and investment. (E)
The individual profit motive is limited and individual freedom of choice plays a secondary role in allocating resources.	Human wants are always greater than the available resources. (E)
The Soviet government plays a significant role in determining what and how goods are to be produced.	In any Society choice determines the goods and services produced. (E)

How Well Has the Soviet Economy Performed?

1. Economic growth

   a. The system places a priority on industrial and military production Industrial output more than tripled since 1950
   b. Growth has been rapid but since 1963 the growth rate has slowed down

a. The state budget regulates spending and investment
b. State bank regulates the economic functions performed by business
c. Turnover tax

    (1) An added-on tax regulating the financial behavior of the consumer and business
    (2) The most important source of revenue for the Soviet government.

Understandings

In the Soviet economy, planners implement party directives on what is to be produced and how it shall be produced.

Capital goods and natural resources are stated owned.

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Concepts

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How Well Has the Soviet Economy Performed?

1. Economic growth

    a. The system places a priority on industrial and military production Industrial output more than tripled since 1950
    b. Growth has been rapid but since 1963 the growth rate has slowed down
    c. Total GNP is lower than in the United States
    d. Weaknesses in the planning system have led to inefficiencies and poor quality of production
    e. Soviet farm output is characterized by low productivity and low yields while the United States has produced surpluses and high yields

        (1) lack of adequate incentives
        (2) shortage of machinery and chemical fertilizers

2. Economic security

    a. Workers receive considerable sums in the form of pensions, allowances, stipends, free education, medical payments and other benefits and payments
    b. No system of unemployment insurance exists, although unemployment is practically non-existant

3. Economic justice

    a. The Soviet Union has made great strides to improve and expand its educational programs

    b. The system often directly channels students into occupations where there is a need for particular skills

c. Greater mobility from job to job has recently developed
d. Increasing opportunities for education and occupational training has given upward mobility to many in the Soviet Union
e. Inequalities in income have created class distinctions

    (1) Great differences exist in wage scales
    (2) Bonuses for producing above one's quota
    (3) Persons holding high positions are given the use of cars with chauffeurs, apartments, long holidays, and trips abroad
    (4) The tax structure is not progressive but proportional to income earned
    (5) Factory workers are paid more than agricultural labor

4. Standard of living

a. While money incomes in the Soviet Union are lower than in the United States, there are many free services and lower prices in some areas, e.g., medical care, housing
b. Compared to the United States, Soviet housing is cramped, consumer goods and services costly, and diets less varied
c. Per capita income in the Soviet Union is far below that of the United States but it is increasing at a faster rate.

5. Economic stability

a. The Soviet economy has avoided the wide downward swings of the business cycle because of central control over investments and output
b. Inflation and foreign exchange however, are persistent Soviet problems and have led to the devaluation of the ruble and the virtual cnacellation of debt
c. Low productivity, labor turnover, and underemployment contribute toward economic difficulty.

Understandings	Concepts
Great stress has been placed on industrial investment and rapid economic growth even though this means holding down current consumption.	The culture in which a man lives influences his thoughts, values, and actions. (A.S)
Soviet workers enjoy a degree of social security.	Governments makes rules to promote the interests of society. (P.S.)
Differences exist in the standard of living among various groups in Russia.	Economic systems vary widely in their theory and practice. (E)
The Soviet economy has not had severe economic fluctuations in recent years.	Government policies of taxing, spending, borrowing, and controlling credit and money supply have powerful effects upon recessions or prosperity. (E)
Since planning operates under a political dictatorship, economic freedom is restricted to a much greater degree in the Soviet Union than in the United States.	Governments exist to make rules for group living. (P.S.)

What Changes Have Taken Place in the Soviet Economy?

1. Investment in heavy industry retains its priority, but increasing emphasis is being placed on consumer goods.
2. Attempts have been made to decentralize the industrial system and make it more responsive to local needs and resources, e.g., direct contracts among enterprises.
3. Factory managers have been receiving increased authority and flexibility; e.g., Liberman Plan.
4. Experimentation with "Market Socialism" - the introduction of such concepts as cost, sales, and profits, rather than quantity, as tools that measure success.
5. There has been greater economic dependence on trade and ties to Eastern Europe since World War II.

Understandings	Concepts
Modifications in the Soviet economic structure have been made to increase production and efficiency.	Change is constant in history. (H)

(OPTIONAL) What Other Forms of Socialism Do We Find Today?

1. Western Europe mixes, in varying degrees, democracy with Socialism, Sweden, England.
2. Communism has established varying degrees of public and private involvement in the economy, e.g., Eastern Central Europe, China.
3. Since private capital does not exist, developing countries have tended toward some form of socialism, e.g., India, Indonesia, Ghana.

THEME VII - INTERNATIONAL ECONOMIC PROBLEMS

Overview

The United States economy, with all its power and wealth, must conduct itself within the framework of the total world economy. We depend on many goods and services made in other countries and we depend on other countries buying goods and services from us. Similarly the problems confronting other economies have their impact on the United States.

This theme is divided into two parts. The first deals with the implications of international trade and how international economic progress and problems affect our economy. The second part relates economies of abundance to the developing economies of the world today in terms of problems and their mutual interest in solving these problems.

Teachers may treat in depth one of these areas depending on class interests and current economic situations.

International Trade

1. How important is foreign trade?

    a. United States business needs foreign markets for its manufactured and agricultural goods shipped abroad annually
    b. Imports of vital raw materials are necessary for economic growth of all nations
    c. International investment helps produce essential items such as oil and steel
    d. Imports help to raise our standard of living and add to the variety of available goods
    e. Foreign trade permits regional specialization with all its ensuing benefits, i.e., comparative advantage
    f. Free trade helps insure a better division of labor and allocation of resources
    g. Total trade affects our balance of payments.

2. What are the problems of international trade?

    a. Barriers to trade result from tariffs, quotas, and administrative regulations

        (1) Nations do not have uniform standards for fair competition and employee welfare, nor do they have full employment
        (2) United States tariff policies have been the subject of differences of opinion at various periods of our history - protectionism

    b. United States balance of payments has been of great concern in recent years because of the international position of the dollar
    c. Different currencies complicate the problem of making international payments and getting credit

3. What attempts have been made to further international trade?

    a. Reciprocal Tariff Agreements

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3. What attempts have been made to further international trade?

    a. Reciprocal Tariff Agreements
    b. General Agreement on Tariffs and Trade
    c. European Common Market
    d. European Free Trade Association
    e. International Monetary Fund
    f. International Trade Organization
    g. Trade Expansion Act, 1962

Understandings	Concepts
Specialization in production leads to international trade.	Regions are organized on the basis of how people organize their geography. (G) In any society choice determines the goods and services produced. (E)
Trade can be beneficial to all countries of the world.	Increased productivity makes possible the greater satisfaction of man's wants. (E)
Barriers to international trade have been erected despite the advantage of free trade.	Governments have grown more complex in response to changing needs and conditions. (P.S.)
Although American Foreign Trade policy has varied during our history, today is directed toward freer trade.	Progress involves change toward a desired goal. (H)

Developing Economies

1. What are the problems of developing economies?
    a. A lack of funds for capital formation due to low incomes and limited savings
    b. Generally, the masses live in extreme poverty, famine and disease is frequent and the average human life span is about 35 years
    c. Sharp increases in population results in lower average incomes
    d. Illiteracy and the lack of training in skills contribute strongly to economic backwardness
    e. Dependence on one or two basic exports makes the economy vulnerable to sharp price fluctuations in world markets
    f. Lack of social overhead capital investment, such as, transportation, communication, power hinders technological progress
    g. The political and social atmosphere often retards economic development
    h. There is an unwillingness on the part of people to wait for improved standards of living, i.e., "revolution of rising expectation."
2. How has the United States tried to assist the developing economies?
    a. Types of aid
        (1) Improving trade relations - preferential tariffs

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2. How has the United States tried to assist the developing economies?
    - a. Types of aid
        - (1) Improving trade relations - preferential tariffs
        - (2) Encouraging private investment abroad
        - (3) Government economic aid
        - (4) Specific United States programs - e.g., Alliance for Progress, Peace Corps, Food for Peace
        - (5) United States support to international assistance programs, e.g., WHO, FAO, UNICEF, World Bank.
    - b. Evaluation of Assistance
        - (1) Overall rate of growth is not marked in areas aided by the United States
        - (2) It is difficult to encourage capital formation, modern technological methods and better schools in a few years
        - (3) Difficult to overcome political and social patterns in developing nations and achieve economic progress
        - (4) There has been an increase in foreign technological and capital assistance
        - (5) Increased foreign trade has stimulated growth in some economies.

Understandings	Concepts
Developing nations must overcome problems of hunger, illiteracy, disease, and overpopulation to improve their standard of living.	History is a continuous process leading to the present. (H) Geographic factors have a significant role in the life of a nation. (G) The environment in which a person lives greatly affects his opportunities for personal growth and development. (A-S)
Lack of adequate capital and limited technical skills have hindered economic growth.	Human wants are always greater than available resources. (E) In any society choice determines the goods and services produced. (E)
The United States has become increasingly concerned with economic growth in developing nations and has provided various forms of assistance.	Increased productivity makes possible the greater satisfaction of man's wants. (E) Change is a constant in history. (H)

SUGGESTED LEARNING ACTIVITIES AND TEACHING STRATEGIES

THEME I: AN INTRODUCTION TO ECONOMICS AND ECONOMIC PROBLEMS

Introduction

The materials in this theme are intended to introduce students to the nature of economics and the general functions of an economic system. After an overview of economic systems in general, this section develops an understanding of the basic framework of the market system in the United States.

To do this effectively, it is of the utmost importance that teachers continually relate this theme, and the others that follow, to student experiences and current economic issues and problems. This will make certain that the student realizes the immediate relevance of what he is studying. Teachers may wish to make question III below the focus of this theme for students achieving below grade level.

Furthermore, students in their 12th year should realistically consider both the achievements and shortcomings of our economic system.

The learning activities in this theme are centered around significant problems:

I. How do individuals and societies make economic choices?

II. What is the nature and function of the American Economic System?

III. What is the role of the consumer in our market system?

IV. How has our market economy made man interdependent?

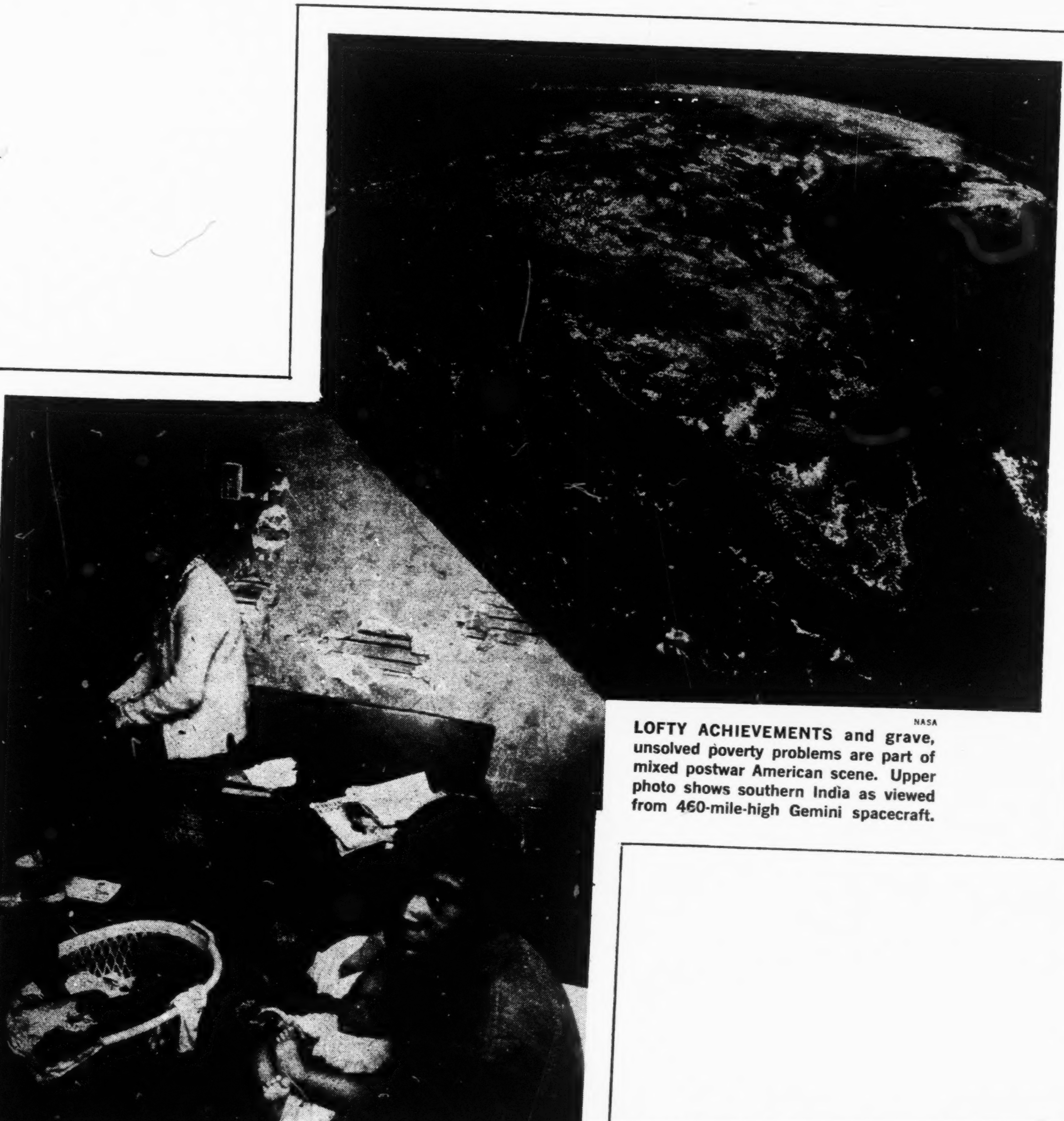
I. HOW DO INDIVIDUALS AND SOCIETIES MAKE ECONOMIC CHOICES?

Emphases: Scarcity is the basic economic problem of all societies.

Individuals and societies create priorities by choosing among alternatives.

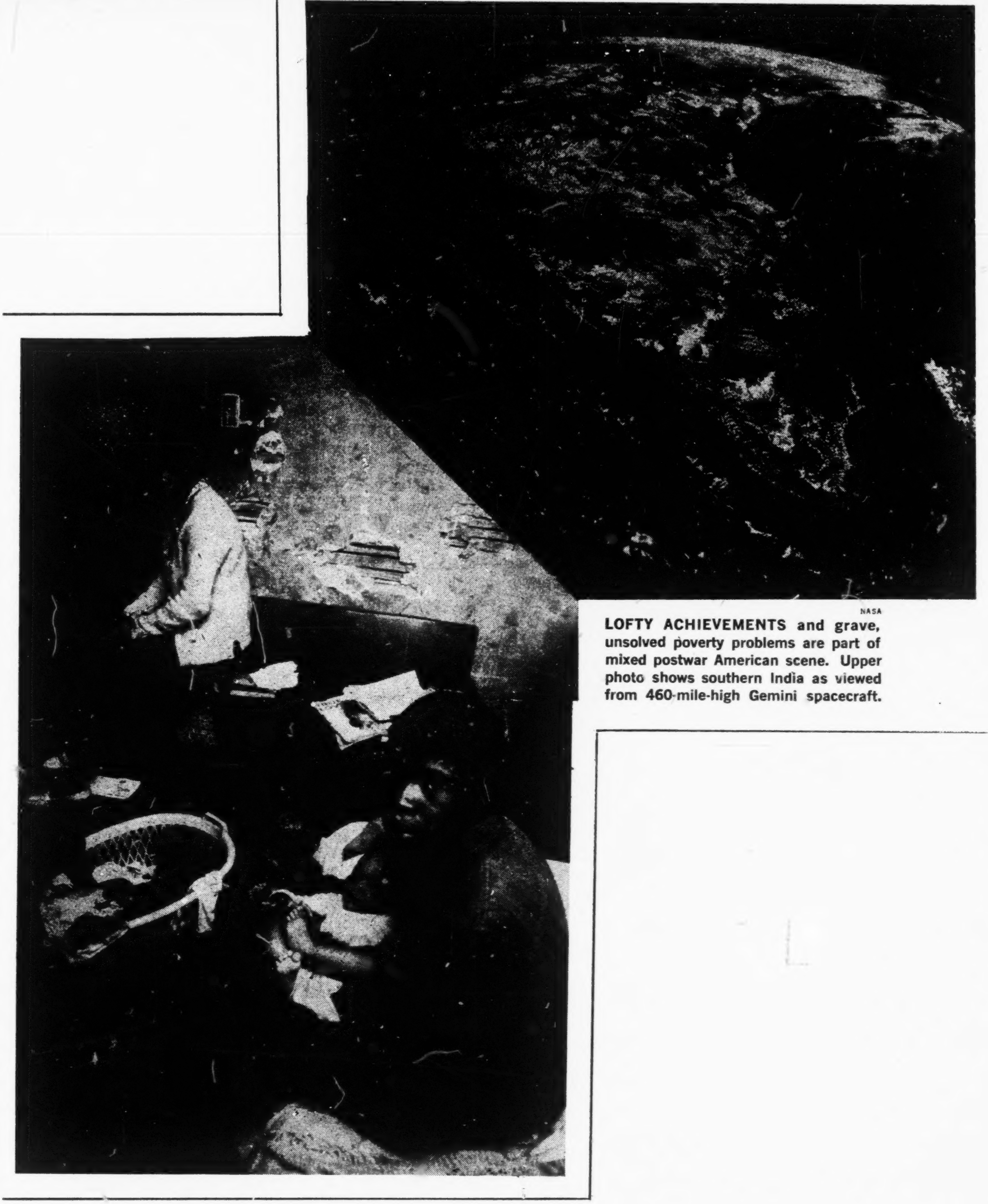
Choice affects the standard of living of individuals and societies.

A. Using pictures and cartoons to illustrate the problem of economic choice.



NASA

LOFTY ACHIEVEMENTS and grave, unsolved poverty problems are part of mixed postwar American scene. Upper photo shows southern India as viewed from 460-mile-high Gemini spacecraft.



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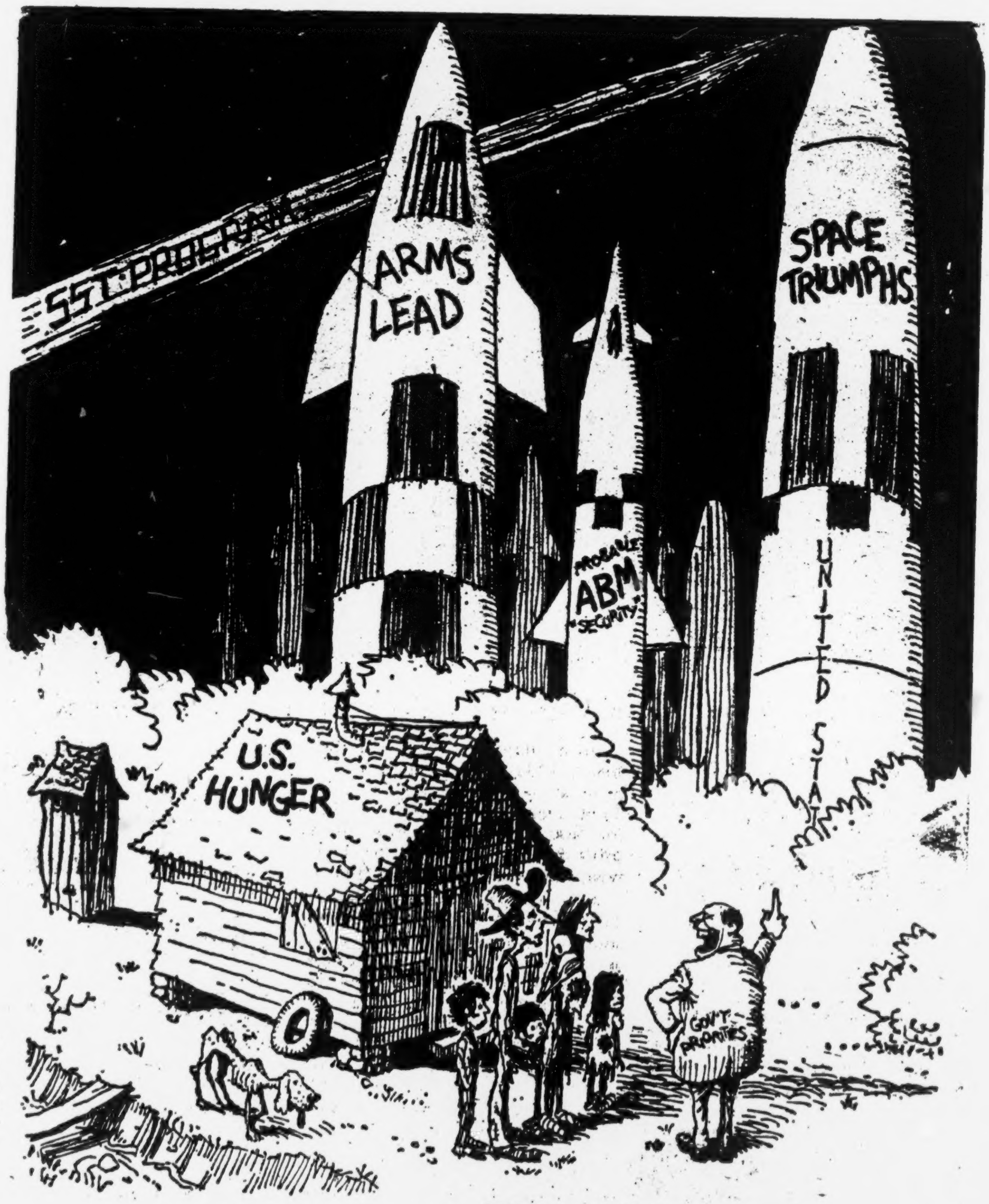

SST PROGRAM
ARMS LEAD
PROBABLE ABM "SECURITY"
SPACE TRIUMPHS
UNITED STAT
U.S. HUNGER
GOV'T PRIORITIES

Huffaker in The Raleigh News and Observer

"How about a little enthusiasm?"

New York Times

Questions for Inquiry and Discovery

1. What goals do these pictures illustrate?
2. Which is more important? Why?
3. According to the cartoonist, are the governments priorities best for the people?
4. Why is it difficult to solve both problems?
5. Are there other problems that you think should get greater priority? Why?

Follow-up Activities

Individual Project

* a. Students can begin to develop a scrapbook of pictures and articles appearing in newspapers and magazines that relate to economics. These can be referred to from time to time as the appropriate topics are discussed.

b. The State of the Economy.

THE STATE OF THE ECONOMY

(Adapted from Economic Report of the President, January 1965)

I am pleased to report

- that the state of our economy is excellent.
- that the rising tide of our prosperity, drawing new strength from the 1964 tax cut, is about to enter its fifth consecutive year;
- that, with sound policy measures, we can look forward to uninterrupted and vigorous expansion in the year ahead....

Thus, the record of our past four years has been one of simultaneous advance toward full employment, rapid growth, price stability, and international balance.

We have proved that with proper policies these goals are not mutually inconsistent. They can be mutually reinforcing.

The unparalleled economic achievements of these past four years have been founded on the imagination, prudence, and skill of our businessmen, workers, investors, farmers, and consumers. In our basically private economy, gains can come in no other way.

But since 1960 a new factor has emerged to invigorate private efforts. The vital margin of difference has come from Government policies which have sustained a steady, but noninflationary, growth of markets.

Our prosperity is widespread, but it is not complete. Our growth has been steady, but its permanence is not assured. Our achievements are great, but our tasks are unfinished.

2. Which is more important? Why?

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Our prosperity is widespread, but it is not complete. Our growth has been steady, but its permanence is not assured. Our achievements are great, but our tasks are unfinished.

Four years of steadily expanding job opportunities have not brought us to full employment.

The promise of the Employment Act of job opportunities for all these able and and wanting to work has not yet been fulfilled. We cannot rest until it is.

---

* Recommended for Students Achieving Below Grade Level

American prosperity is widely shared. But too many are still precluded from its benefits by discrimination; by handicaps of illness, disability, old-age, or family circumstances; by unemployment or low productivity; by lack of mobility or bargaining power; by failure to receive the education and training from which they could benefit.

The war against poverty has begun; its prosecution is one of our most urgent tasks in the years ahead.

Our goals for individuals and our Nation extend far beyond mere affluence. The quality of American life remains a constant concern.

The task of economic policy is to create a prosperous America. *The unfinished task of prosperous Americans is to build a Great Society.*

Our accomplishments have been many; these tasks remain unfinished:

- to achieve full employment without inflation;
- to restore external equilibrium and defend the dollar;
- to enhance the efficiency and flexibility of our private and public economies;
- to widen the benefits of prosperity;
- to improve the quality of American life ....

The 1966 Budget Message outlines my fiscal philosophy. We have four priorities:

- to strengthen our natural defense;
- to meet our pressing human needs;
- to maximize the efficiency of Government operations;
- to sustain the advance of our Nation's economy.

In these priorities lies the key to our whole strategy of attack on waste:

- the waste of lives and property and progress which is the cost of war;
- the waste of human potential and self-respect which is the cost of poverty and lack of opportunity;
- the waste of excessive Government personnel, obsolete installations, and outmoded public services which is the cost of inefficient Government;
- the waste of men and facilities and resources which is the cost of economic stagnation.

The accomplishments of the past four years are a measure of the constructive response that can be expected from workers, consumers, investors, managers, farmers, and merchants to effective public policies that strive to define and achieve the national interest in

- full employment with stable prices;
- rapid economic growth;
- balance in our external relationships;
- maximum efficiency in our public and private economies.

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- rapid economic growth;
- balance in our external relationships;
- maximum efficiency in our public and private economies.

These perennial challenges to economic policy are not fully mastered; but we are well on our way to their solution.

Questions for Inquiry and Discovery

1. According to this statement, what are the values President Johnson seems most interested in?

2. How might these values influence his behavior as President?

3. Can you detect values in the report that may be in conflict with each other?

4. Which of these values appeal to you? Which do you dislike? Why?

Follow-up Activities

Students can compare the goals of the Johnson administration to those of President Nixon by referring to the following paragraphs taken from Nixon's Budget Message to Congress, February 2, 1970.

A STRATEGY FOR THE SEVENTIES

I am pleased to present a budget that demonstrates a shift in priorities; we now begin to turn in new directions.

Changing priorities - About 41% of estimated outlays in the 1971 budget will be devoted to human resources - spending for education and manpower, health, income security, and veterans benefits and services. Spending for national defense, despite continued improvements in our military forces, will claim a smaller percentage of the budget than in any year since 1950. Although still comparateively small, other major programs of this Administration - pollution control, crime reduction, transportation, and housing are planned to grow substantially in the years ahead. ... Decisions to include new spending programs in this and future budgets will recognize long-run savings that would be lost if action is not taken. For example, the proposed Family Assistance Program is designed to reform our outmoded welfare system. If enacted, it would cost an estimated $4.4 billion in the first full year of effect. However, the incentives to preserve families intact and increase gainful employment will eventually mean a long-run increase in economic self-sufficiency, which I believe far outweighs these substantial, but essential, public costs.

The path to our goals - Among the meritorious claims on our resources are:

- Protecting our physical environment by taking further actions to reduce air and water pollution, and by providing additional parks, open spaces, and other recreation opportunities.
- Maintaining our physical and economic base by improving transportation systems, and by stimulating the construction of additional low- and moderate-income housing.
- Bringing better health to all, by reforming the health care delivery system, by increasing the Nation's corps of needed health personnel, and by emphasizing areas that promise important break-throughs in medical research.
- Equalizing career opportunities by investing in new methods of education, in aid to low- and middle-income college students, and in job training.
- Renewing the American education system by emphasizing research and experimentation, by investing in teacher training and new community colleges, and by redressing inequities in educational financing.
- Obtaining budget surpluses in order to generate

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- Equalizing career opportunities by investing in new methods of education, in aid to low- and middle-income college students, and in job training.
- Renewing the American education system by emphasizing research and experimentation, by investing in teacher training and new community colleges, and by redressing inequities in educational financing.
- Obtaining budget surpluses in order to generate additional savings so housing and State and local construction can be financed without undue reliance on Federal aid. The absence of such surpluses would tend to keep interest rates high and to make capital markets less efficient.
- Reducing and realigning tax burdens further in a fair and judicious manner, when such action is prudent and desirable in the light of all other national priorities.

As long as the growth of revenues exceeds the growth of "built-in" expenditures we will be able to make some genuine progress toward these goals.

The progress that we make in pursuit of these goals must depend on their relative priority, our ability to design workable programs, and our willingness to raise the required resources.

Questions for Discussion

1. How are these goals similar to the goals of President Nixon? How do they differ?

2. Why do they differ in some areas?

*2. Students can learn to analyze an economic problem by being led through the process of looking at possible solutions, evaluating their consequences, identifying goals, and choosing between possible solutions.

Case 1

Sunlight streamed through the window, casting a shadow on Jim's desk. As the bell rang ending school for the day, Lucy turned to him. "Want to walk me home?"

Lucy was beautiful. She'd never before shown any interest in Jim. Before Jim got a chance to answer, Miss Brown rapped for attention.

"I almost forgot," Miss Brown said. "There's an announcement. All boys who want to try out for the baseball team must meet in the gym immediately after school today."

Jim's world collapsed. He'd been lifting weights all winter to stay in shape . Last year he didn't quite make it. He had a good arm, and his hitting wasn't bad. His fielding was only fair, but not as bad as Ted's. There'd be plenty of competition. Why did everything have to happen at once!

Lucy stoood up and turned toward him. "Coming Jim?" Before Jim could answer, Ted called across the aisle, "Let's go!"

Questions for Inquiry and Discovery

1. What alternatives are open to Jim?

2. What consequences can you anticipate for each alternative?

2. Why do they differ in some areas?

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Questions for Inquiry and Discovery

1. What alternatives are open to Jim?

2. What consequences can you anticipate for each alternative?

3. What decision should Jim make? Why?

Apply the above to the following cases.

Case 2

You worked after school last term and saved $50. One of your friends is getting a new bicycle and has offered you his two year old model for $50. New it costs $105. Should you buy it? Why?

Case 3

You have been offered the opportunity to attend a special summer program for high school students at a local college campus. You will live on campus and will be required to attend courses to help you study more effectively. It has been suggested that if you complete this program successfully you might be given a college scholarship when you graduate from high school. You have also been offered a job at a neighborhood market paying $60 a week. What should you do? Why? What must you consider before making your choice? What are your family needs?

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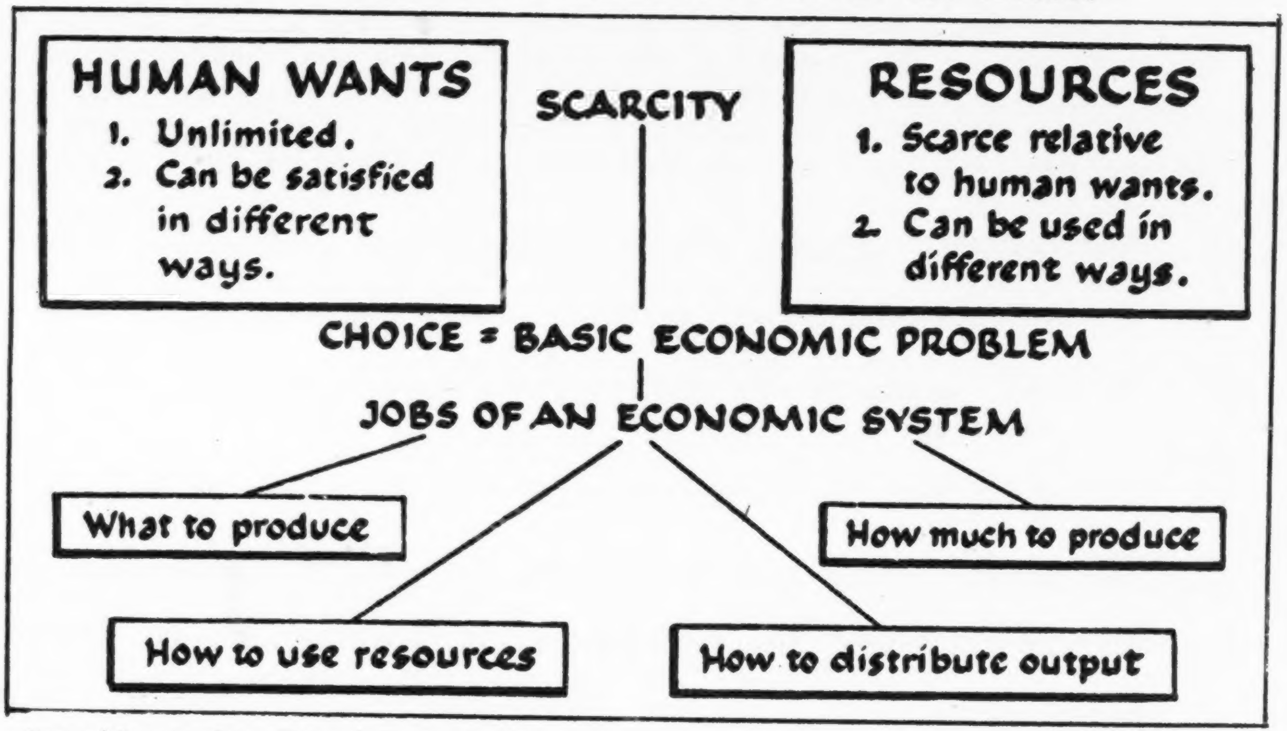
*Recommended for Students Achieving Below Grade Level

3. Use the following chart to build a model of the economic problem in society.

   Teachers should point out to the class that models simplify the system but can be used to build on later in the course.


HUMAN WANTS
1. Unlimited.
2. Can be satisfied in different ways.
SCARCITY
RESOURCES
1. Scarce relative to human wants.
2. Can be used in different ways.
CHOICE = BASIC ECONOMIC PROBLEM
JOBS OF AN ECONOMIC SYSTEM
What to produce
How much to produce
How to use resources
How to distribute output

Questions for Inquiry and Discovery

1. Does your family own a car? A color TV? Diamonds?
2. How many would like to own these items?
3. Why can't everyone have everything he wants?
4. What are the problems that we face due to scarcity?
5. What are the purposes of an economic system?

*4. The following problems can be used to develop the concepts of goals, costs and choice.

Problem One

John is not bad on the electric guitar and has a passable voice. He has written a few folk-rock numbers that his high school crowd says are great. His combo plays for school parties and occasionally for community groups. Last week he played at a school dance and was paid $50. John also is a guard on the high school basketball team. In fact, he was just chosen for the All-City team. State College has offered him a scholarship. He never really planned to go to college. What should he do?

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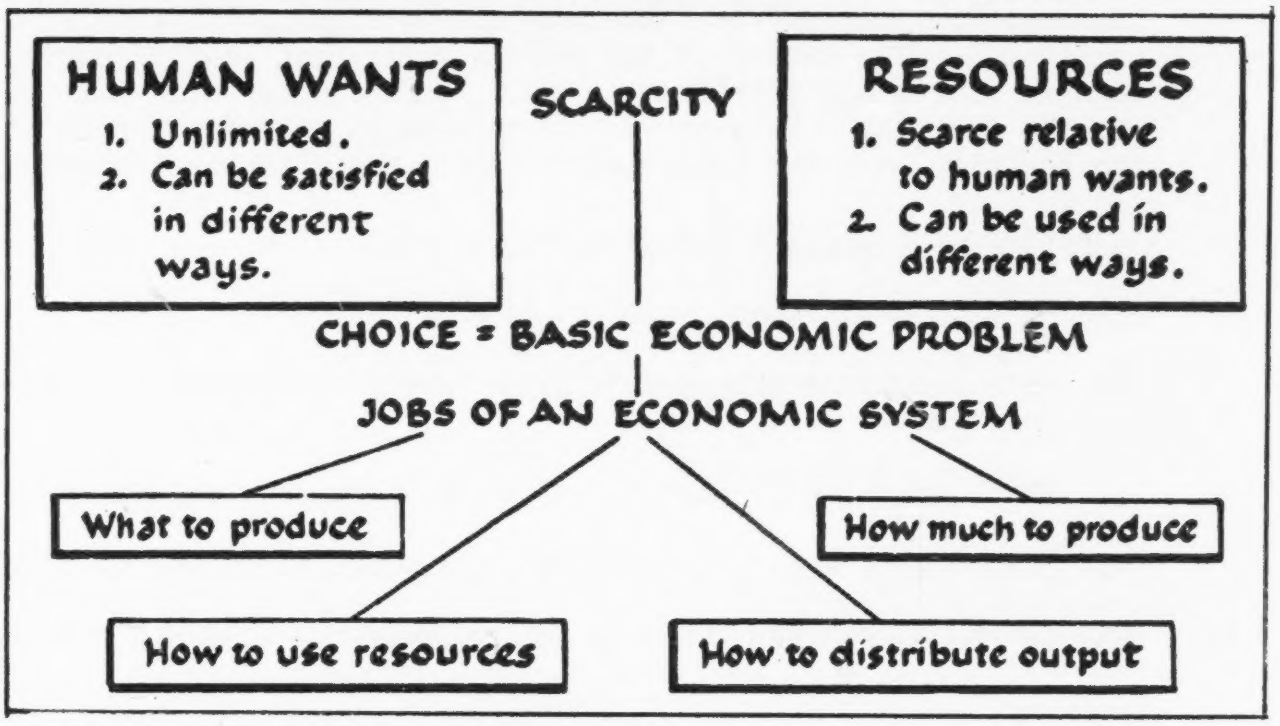
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Questions for Inquiry and Discovery

1. What choices does John have? What is the real cost of each choice?

2. What are your own goals?

3. Which choice is most likely to achieve your goal?

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* Recommended for Students Below Grade Level

Problem Two

A large house adjoining an elementary school has just been torn down. The lot has been put up for sale. A supermarket is interested in buying the lot to build a new, modern market. Many people have complained to the City Council that a market next to a school is dangerous. They say that markets create traffic and traffic creates accidents. The owners of the market argue that traffic moves slowly around stores and represent no real danger. They also call attention to the fact that as taxpayers, they also do much to support education in the city, and the more they prosper, the more taxes they pay.

Questions for Inquiry and Discovery

1. As city councilman, what are your objectives?
2. What solutions are open to you? What is the real cost of adopting each solution?
3. Which solution is most likely to achieve your objectives?
4. If you were a city councilman, how would you solve this problem?

II. WHAT IS THE NATURE AND FUNCTION OF THE AMERICAN ECONOMIC SYSTEM?

Emphases:

Societies have organized in many different ways to make economic decisions.

Price plays a key role in the American economy.

Many factors influence our price system os that it operates imperfectly.

**A. Using excerpts from secondary sources to understand the development of the Market System.

"....The world has gotten along for centuries in the comfortable rut of tradition and command; to abandon this security for the .... perplexing security of the market system, nothing short of a revolution was required.

"It was the most important revolution, from the point of view of shaping modern society, that ever buying the lot to build a new, modern market. Many people have complained to the City Council that a market next to a school is dangerous. They say that markets create traffic and traffic creates accidents. The owners of the market argue that traffic moves slowly around stores and represent no real danger. They also call attention to the fact that as taxpayers, they also do much to support education in the city, and the more they prosper, the more taxes they pay.

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"It was the most important revolution, from the point of view of shaping modern society, that ever took place .... To understand the wrenching which it gave society, we must immerse ourselves in that earlier and long-forgotten world from which our own society finally spring ....

"First stop: France. The year, 1305.

"It is a fair we visit. The traveling merchants have arrived that morning with their armed guard, have set up their gaily striped tents, and are trading among themselves and with the local population. A variety of exotic goods is for sale: silks and taffetas, spices and perfumes, hides and furs ....

"....inside the tents we meet with a strange sight. Books of business, open on the table, are barely more than notebooks of transactions; a sample extract from one merchant reads: "Owed ten gulden by a man since Whitsuntide. I forgot his name.' Calculations are made largely in Roman numerals and sums are often wrong; long division is reckoned as something of a mystery and the use of zero is not clearly understood ....

**Recommended for Students Achieving Above Grade Level

"Next stop: Germany. The year, 1550 odd.

"Andreas Ryff, a merchant, bearded and fur-coated, is coming back to his home in Baden; he writes in a letter to his wife that he has visited thirty markets and is troubled with saddle-burn. He is even more troubled by the nuisances of the times; as he travels he is stopped approximately once every six miles to pay a customs toll; between Basle and Cologne he pays thirty-one levies.

"And that is not all. Each community he visits has its own money, its own rules and regulations, its own law and order. In the area around Baden alone there are 112 different measures of length, 92 different square measures, 65 different dry measures, 163 different measures for cereals and 123 for liquids, 63 special measures for liquor, and 80 different pound weights.

"We move on: we are in Boston in the year 1644.

"A trial is in progress; one Robert Keane, 'an ancient professor of the gospel, a man of eminent parts, wealthy and having but one child, and having come over for conscience' sake and for the advancement of the gospel,' is charged with a .... crime: he has made over sixpence profit on the shilling, an outrageous gain. The court is debating whether to excommunicate him for his sin, but in view of his spotless past it finally relents and dismisses him with a fine of two hundred pounds. But poor Mr. Keane is so upset that before the elders of the Church he does 'with tears acknowledge his covetous and corrupt heart.'

".... The profit motive as we know it is only as old as 'modern man.' Even today the notion of gain for gain's sake is foreign to a large portion of the world's population ....

"The market system .... was born in agony - an agony that began in the thirteenth century and did not run its course until well into the nineteenth ....

"What forces could have been sufficiently powerful to smash a comfortable and established world ....?

"There was no single massive cause .... It was a process of internal growth.

"First, there was the gradual emergence of national political units in Europe. Under the blows of peasant wars and kingly conquest .... feudalism gave way to centralized monarchies. And with monarchies came .... royal patronage for favored industries, such as the great French tapestry works, and the development of armadas and armies with all their necessary satellite industries. The infinity of rules and regulations which plagued Andreas Ryff and his fellow sixteenth-century traveling merchants gave way to common laws, common measurements, common currency.

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"A second great current of change was .... the Italian Renaissance. The world of Today elbowed aside the world of Tomorrow, and as life on earth became more important, so did the notion of material standards and ordinary comforts ....

"Still another deep current lies in the slow social changes which eventually made the market system possible. We are accustomed to thinking of the Middle Ages as a time of stagnation and lack of progress. Yet in five hundred years, the medievalists fathered one thousand towns (an immense achievement), connected them with .... (crude) but usable roads, and maintained their populations with food brought from the countryside. All this developed the familiarity with money and markets and the buying and selling way of life.

"Progress was not only a matter of this slow urbanization. There was technical progress, too, of a vastly important sort...

"Perhaps the most important of all ... was a rise in scientific curiosity ....

"By the year 1700....the world which had tried Robert Keane, prohibited merchants from carrying unsightly bundles, worried over 'just' prices, and fought for the privilege of carrying on in its fathers' footsteps was .... (declining). In its place society has begun to head a new set of .... (opinions). Some of them are:

"'Every man is naturally covetous of lucre.'

"'No laws are prevalent against gaine.'

" Gaine is the Centre of the Circle of Commerce.'

" A new idea has come into being: 'economic man'.... a creature who follows his adding-machine brain wherever it leads him. The textbooks will soon come to talk of Robinson Crusoes on desert isles who will organize their affairs as if they were so many penny-pinching accountants.

"In the world of affairs a new fever of wealth and speculation has gripped Europe."

From The Worldly Philosophers. Robert L. Heilbroner.
Simon and Schuster, 1961 (pp. 20-24)

Questions for Inquiry and Discovery

1. What conditions worked against the development of a market economy?

2. What conditions seem to be necessary for the development of a market economy?

3. Why does Heilbroner state that "as long as the problem of survival was handled by tradition or command, the economic problem never gave rise to that special field of study called economics"?

Questions for Discussion

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Questions for Discussion

1. What were the most important influences on the development of the United States Economy?

2. How can the readings above be used to evaluate underdeveloped economies today?

Follow-up Activities

Using Descriptive Materials to Formulate Generalization

Below is a list of statements describing various economic actions. Label or classify each statement according to whether you think it is typical of a traditional economy (T), a command economy (C), or a market economy (M).

a. On the farms, the working day lasts from sunrise until dusk or dark. As they have done for centuries, women follow the reapers and binders on foot to gather the gleanings from the fields.

b. The problem of finding skilled workers was immense. There were simply not enough trained men available. His competitors were fighting for their share of the labor supply. He decided to introduce a five-dollar-a- day minimum wage. The new minimum more than doubled the existing wage.

c. The practice of giving certain industries first call on scarce materials has brought more rapid over-all economic growth than otherwise might have been possible.

d. The proclamation of the head of state declared that no banking operations should be carried on throughout the country until further notice.

e. The people being studied were still living on seal meat and were making no attempt to kill any of the numerous caribou that were continually migrating past. I thought at first that there might be some taboo preventing them from hunting caribou on ice, but this they told me was not so. It was simply that they had never hunted caribou on the ice and had not considered it possible.

f. Holding prices in check was difficult. A great burden fell on the Office of Price Administration, created to keep the lid on prices by setting price ceilings on a large list of commodities which were much in demand.

Questions for Discovery and Inquiry

1. Why did you classify each item the way you did?

2. Might it be possible for all of these statements to be describing actions in the same national economy?

   Why or why not?

3. What additional information do you need to be able to distinguish between traditional economy, command economy and a market economy? Why?

Project for Individual Research

** How does the feudal economy reflect the characteristics of a traditional economy?

* B. Using an economic history text to understand the concept of market system

"WHAT YOU SUGGEST IS MADNESS"

....(A)ssume for a moment that we could act as economic advisers to a society which had not yet decided on its mode of economic organization

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**Recommended for students achieving above grade level.
*Recommended for students achieving below grade level.

Suppose, for instance, that we were called on to act as consultants to one of the new nations emerging (on) the continent of Africa.

We could imagine the leaders of such a nation saying, "We have always experienced a highly tradition-bound way of life. Our men hunt and cultivate the fields and perform their tasks as they are brought up to do by the force of example and the instruction of their elders. We know, too, something of what can be done by economic command. We are prepared, if necessary, to sign an edict making it compulsory for many of our men to work on community projects for our national development. Tell us, is there any other way we can organizae our society so that it will function successfully - or better yet, more successfully?"

Suppose we answered, "Yes, there is another way. Organize your society along the lines of a market economy."

"Very well," says the leaders. "What do we then tell people to do? How do we assign them to their various tasks?"

"That's the very point," we would answer. "In a market economy no one is assigned to any task. The very idea of a market society is that each person is allowed to decide for himself what to do."

There is consternation among the leaders. You mean there is *no* assignment of some men to mining and others to cattle raising? No *manner* of selecting some for transportation and others for cloth weaving? You leave this to people to decide for themselves? But what happens if they do not decide correctly? What happens if no one volunteers to go into the mines, or if no one offers himself as a railway engineer?"

"You may rest assured," we tell the leaders, "none of that will happen. In a market society, all the jobs will be filled because it will be to people's advantage to fill them."

Our respondents accept this with uncertain expressions. "Now look," one of them finally says, "let us suppose that we take your advice and let our people do as they please. Now let's talk about something important, like cloth production. Just how do we fix the right level of cloth output in this 'market society' of yours?"

"But you don't," we reply.

"We don't! Then how do we know there will be enough cloth produced?"

"There will be," we tell him. "The market will see to that."

"Then how do we know there won't be *too* much *cloth* produced?" he asks triumphantly.

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"We don't! Then how do we know there will be enough cloth produced?"

"There will be," we tell him. "The market will see to that."

"Then how do we know there won't be *too* much *cloth* produced?" he asks triumphantly.

"Ah, but the market will see to that too!"

"But what *is* this market that will do all these wonderful things? Who runs it?"

"Oh, nobody runs the market," we answer. "It runs itself. In fact there really isn't any such *thing* as 'the market'. It's just a word we use to describe the way people behave."

"But I thought people behaved the way they wanted to!"

"And so they do," we say. "But never fear. They will want to behave the way you want them to behave."

"I am afraid," says the chief of the delegation, "that we are wasting our time. We thought you had in mind a serious proposal. But what you suggest is madness. It is inconceivable. Good day, sir." And with great dignity the delegation takes its leave.

The Making of Economic Society, Robert L. Heilbroner. Prentice-Hall, 1962.

Questions for Inquiry and Discovery

1. What does a market economy mean?
2. What does a market economy do?
3. Is this the only way to get the job done? Explain.
4. Why was it so hard for the leader of the African nation to imagine a market economy?

Small Group Project

Assign different students to the roles of delegation leader, narrator, etc. Present them with a specific problem such as producing wagons. Let them role play and discuss the problems involved.

Follow-up Activity

Using a simulation game to teach supply and demand

Students should be given the following instruction sheet one day prior to playing the market game. All points should be clarified so that the game can proceed smoothly.

A MARKETFUL OF RYE

You are about to participate in the operation of a commodity market. You will participate as a brokerage agent acting in behalf of a client. Your client will give you specific instructions to sell or buy 1,000 bushels of rye under certain minimum (for seller) or maximum (for buyer) price conditions. You have an obligation to do as well as you can for your client, and you are not permitted to violate the instructions. If you violate your client's instructions, you will lose your broker's license and be suspended from the game.

All buyers as a group will be competing against all sellers as a group in this game in a contest to see which group does the best job of representing their clients in a competitive market operating under these ground rules.

1. Buyers will be identified by a handkerchief on their arms and/or colored instruction slips.
2. Sellers will have nothing on their arms and white instruction slips.
3. Your instruction card will have three separate instructions prefaced by the Roman numerals I, II, III. There will be separate trading periods played with each set of instructions.

   During the first period you must follow the instructions on the first line (Roman I).

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4. Buyers and sellers should not reveal their instructions to any of the other dealers, unless they have a particular reason for doing so.

5. A transaction is completed when a single buyer and a single seller agree on the terms of a sale. (ALL AGREEMENTS MUST BE AT PRICES ENDING IN ZERO CENTS $5.20, $5.50, $6.10.)

6. As soon as a transaction is completed, report the agreed on price to the instructor, so that he may record and report your transaction.

7. As completed transactions are reported to the instructor, he will check them and will list on the board the prices at which deals are being made. WATCH THE BOARD FOR PRICES THAT ARE BEING LISTED. This is valuable information in helping your team win.

8. As soon as your transaction is reported, you should turn in your buy and sell order and receive a new one of the same kind. (Buyers take another buy order; sellers take another sell order). You may proceed immediately to complete a new transaction in accordance with your new order. If you are unable to complete a transaction within three minutes, you may obtain a new order from your instructor.

9. The market will remain open for 5 minutes or as long as the instructor deems advisable. A one-minute warning will be given before the market is closed.

10. When the market is closed, the instructor will determine and report whether the buyers or sellers have represented their clients more successfully. Hold on to your last card for the start of Play Period II.

CAUTION: Too much noise will wake the student next door.
Please keep the noise level down.

The teacher should have the following items prepared for use during the game.

1. Instructions on colored paper as follows:

YOU ARE INSTRUCTED BY
YOUR CLIENT TO BUY
1000 BUSHELS OF RYE FOR
NOT MORE THAN
PERIOD I....... Per Bushel
PERIOD II...... Per Bushel
PERIOD III..... Per Bushel

20 Buy Orders should be distributed as follows:

	PERIOD I	II	III
7.80	0	1	1
7.60	0	1	1
7.40	0	2	2
7.20	0	2	2
7.00	1	2	2
6.80	1	2	2
6.60	2	2	2
6.40	2	2	2
6.20	2	2	2
6.00	2	2	2
5.80	2	2	2
5.60	2	0	0
5.40	2	0	0
5.20	2	0	0
5.00	2	0	0

2. Instructions on white paper as follows:

YOU ARE INSTRUCTED BY YOUR
CLIENT TO SELL 1,000
BUSHELS OF RYE FOR NOT LESS THAN
PERIOD I.............per bushel
PERIOD II............per bushel
PERIOD III...........per bushel

20 sell orders should be distributed as follows:

	PERIOD I	II	III
7.80	0	0	2
7.60	0	0	2
7.40	0	0	2
7.20	0	0	2
7.00	0	0	2
6.80	0	0	2
6.60	2	2	2
6.40	2	2	2
6.20	2	2	4
6.00	2	2	0
5.80	2	2	0
5.60	2	2	0
5.40	2	2	0
5.20	2	2	0
5.00	4	4	0

3. An overhead projector with a prepared transparency of this game or a graph to be placed on the blackboard. If an overhead projector is used, the proper writing instruments will be needed.

4. A chart to plot the transactions as they occur so that a movement towards the equilibrium price can be seen as it develops.

	First 2 Min.	Second 2 Min.	Last Min.
7.80			
7.60			
7.40			
7.20			
7.00			
6.80			
6.60			
6.40			
6.20			
6.00			
5.80			
5.60			
5.40			
5.20			
5.00			

5. The teacher may wish to assign one student as the recorder of sales while he supervises and validates each transaction. Collusion can be noted but need not be stopped.

6. Each trading period of this game can be played on different days to demonstrate a progression of new concepts.

7. The number of cards can be adjusted to the number of participants by cutting from the extreme prices (i.e., $5.00, $7.80).

8. Teachers and students should spend some time developing an understanding of the procedures to be followed before the game is actually played. Students also should understand the purpose of the game through a brief discussion for background information.

Questions for Inquiry and Discovery

1. Have students complete the following worksheet:

A MARKET FULL OF RYE

In the game you have just completed, there were 20 sell orders and 20 buy orders distributed as follows. Each order was for 1,000 bushels.

Price	Buyers (Not More than Price)			Sellers (Not Less than Price)		
	I	II	III	I	II	III
7.80	0	1	1	0	0	2
7.60	0	1	1	0	0	2
7.40	0	2	2	0	0	2
7.20	0	2	2	0	0	2
7.00	1	2	2	0	0	2
6.80	1	2	2	0	0	2
6.60	2	2	2	2	2	2
6.40	2	2	2	2	2	2
6.20	2	2	2	2	2	4
6.00	2	2	2	2	2	0
5.80	2	2	2	2	2	0
5.60	2	0	0	2	2	0
5.40	2	0	0	2	2	0
5.20	2	0	0	2	2	0
5.00	2	0	0	4	4	0

Translate this data into supply and demand schedules in the table below: (Correct answers have been included to aid the teacher.)

	Demand (Amount People Would be Willing to Buy)				Supply (Amount People Would be Willing to Sell)			
	I	II	III	Actual Sales	I	II	III	Actual Sales
7.80	0	1	1				20	
7.60	0	2	2				18	
7.40	0	4	4				16	
7.20	0	6	6				14	
7.00	1	8	8				12	
6.80	2	10	10				10	
6.60	4	12	12		20	20	8	
6.40	6	14	14		18	18	6	
6.20	8	16	16		16	16	4	
6.00	10	18	18		14	14		
5.80	12	20	20		12	12		
5.60	14				10	10		
5.40	16				8	8		
5.20	18				6	6		
5.00	20				4	4		

1. According to the model of supply and demand, what would you expect the market equilibrium price for rye to be at the end of each period in the game you have just completed under these conditions?

   Period I - $5.80
   Period II - $6.20
   Period III - $6.80

2. What was the price prevailing in the rye market at the end of each period in the game you have just completed How much was sold at this price? ______________________.

3. How do you explain this similarity or this difference?

4. Why did the price

	(Amount People Would be Willing to Buy)				(Amount People Would be Willing to Sell)			
	I	II	III	Actual Sales	I	II	III	Actual Sales
7.80	0	1	1				20	
7.60	0	2	2				18	
7.40	0	4	4				16	
7.20	0	6	6				14	
7.00	1	8	8				12	
6.80	2	10	10				10	
6.60	4	12	12		20	20	8	
6.40	6	14	14		18	18	6	
6.20	8	16	16		16	16	4	
6.00	10	18	18		14	14		
5.80	12	20	20		12	12		
5.60	14				10	10		
5.40	16				8	8		
5.20	18				6	6		
5.00	20				4	4		

1. According to the model of supply and demand, what would you expect the market equilibrium price for rye to be at the end of each period in the game you have just completed under these conditions?

   Period I - $5.80
   Period II - $6.20
   Period III - $6.80

2. What was the price prevailing in the rye market at the end of each period in the game you have just completed ______________________________.
   How much was sold at this price?

3. How do you explain this similarity or this difference?

4. Why did the price increase in period II? (demand shifted upward)

5. What factors will lead to an increase in demand?

6. Why did price increase in period III? (reduced supply)

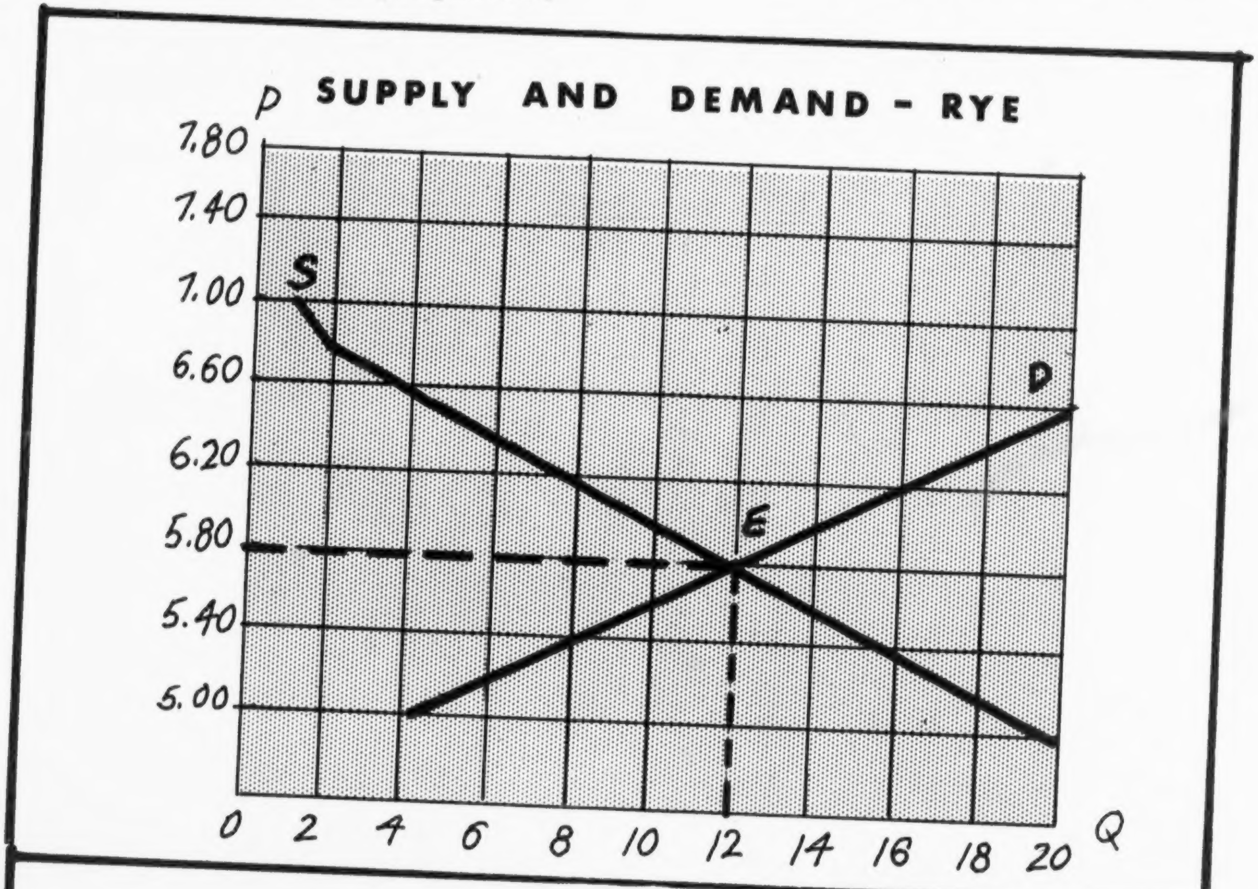
7. What factors will lead to a decrease in supply?

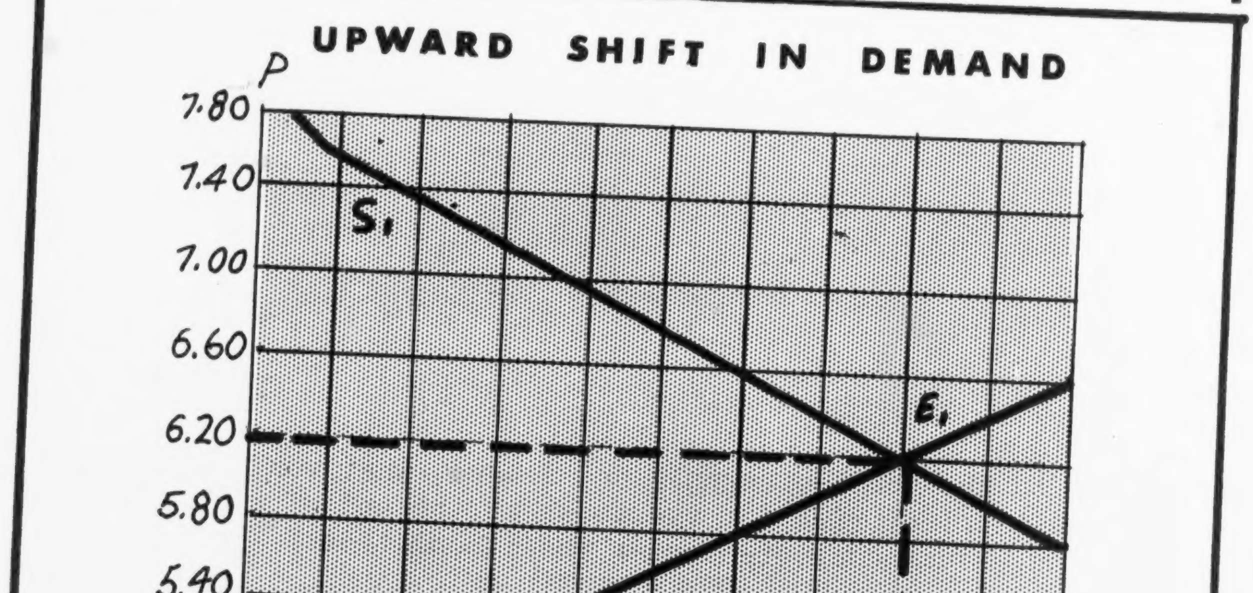
8. Did the buyers or sellers do a better job in each trading period?

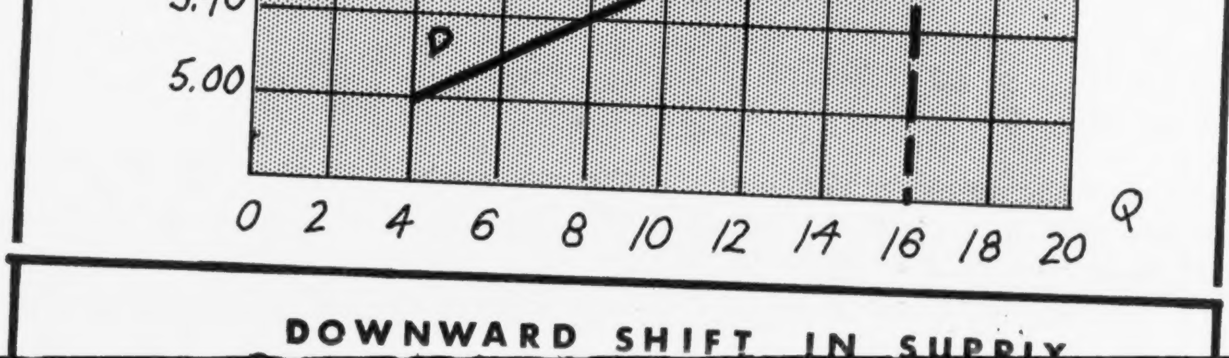
**9. How can we tell if there was any collusion during our game?
What effect did it have? (Price very high, sales restricted)

**Recommended for Students Achieving above Grade Level.

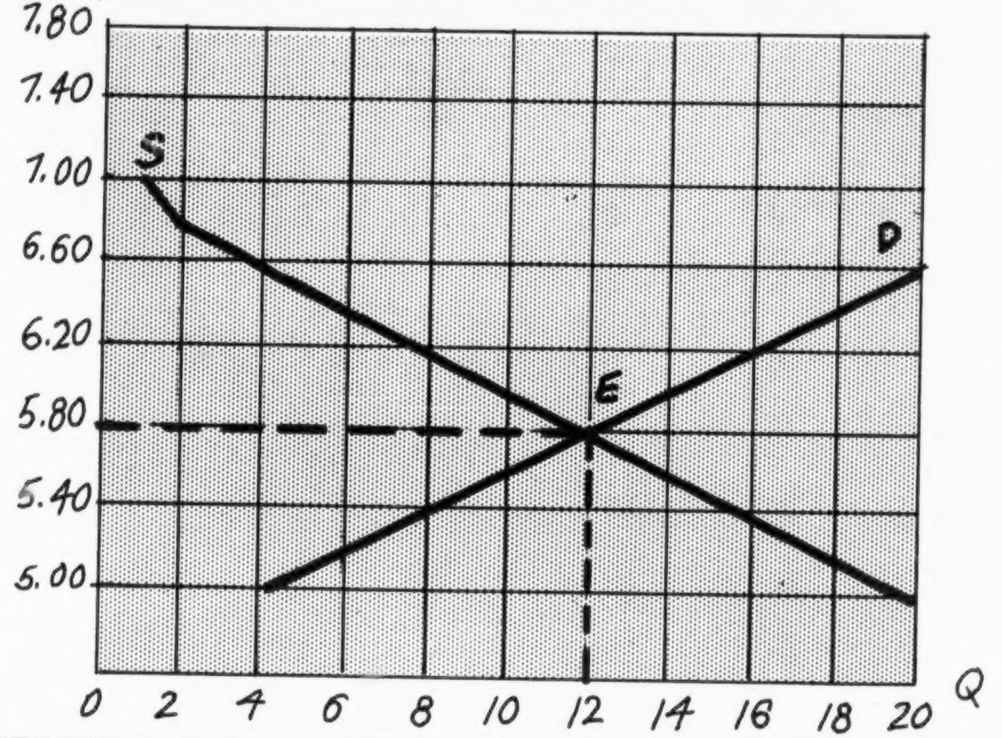
The graphs below can be used to show how the price would be determined under the conditions outlined for periods I, II and III. These can be reproduced for the class or teachers can make transparencies of each to be used with an overhead projector.



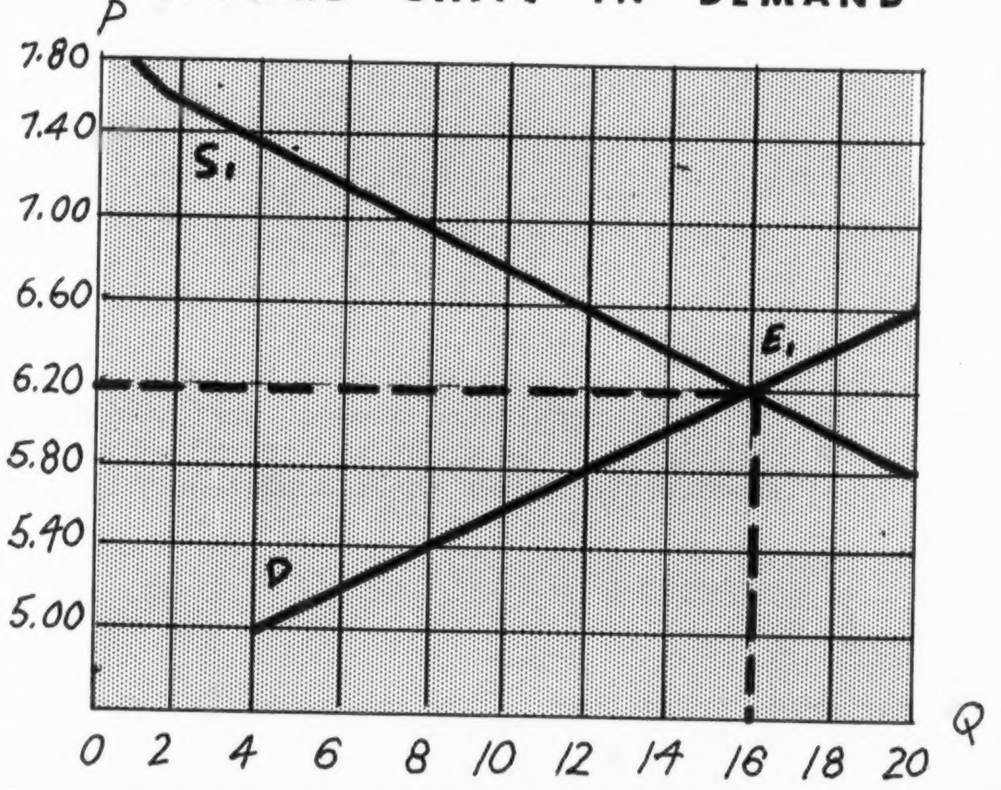




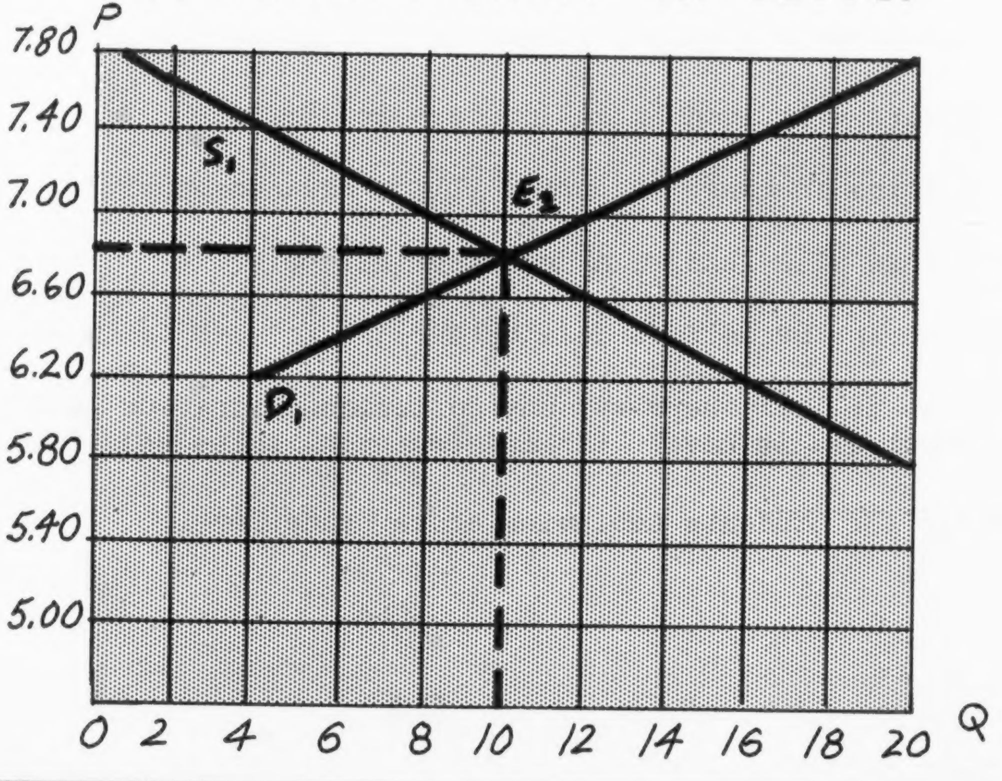
SUPPLY AND DEMAND - RYE



UPWARD SHIFT IN DEMAND



DOWNWARD SHIFT IN SUPPLY



2. Use the following cases to show the operation of supply and demand as a rationing mechanism

The Case of the World Series

Your favorite baseball team has won its league's pennant and is faced by the happy prospect of playing in the World Series. Your stadium has a fixed seating capacity, of course, yet every baseball fan within a hundred miles of your city wants a ticket to the Series. The management of the winning club must decide how to handle the sale of Series tickets. It wants to keep its season ticket holders happy, but it also feels a sense of responsibility to the greater community and the potential future baseball fans a series can create. Several alternative schemes have been suggested for allocating the available space.

Questions for Inquiry and Discovery

1. What circumstances inhibit the market mechanism from working?
2. How would you handle the sale of tickets?
3. Do you think everybody would agree with your choice? Explain?
4. Using the concepts of supply and demand, explain the consequences of these alternatives:
    - a. It can sell all tickets on the open market and sell them to the highest bidders.
    - b. It can offer the tickets to the club's season ticket holders first, putting the remainder on the open market.
    - c. It can fix the price of tickets, selling them in unlimited quantities to purchasers on a first-come, first-served basis.
    - d. It can fix the price of tickets, selling a limited number (possibly only one or two) to purchasers on a first-come, first-served basis.
    - e. Any other scheme.

The Case of the Utrillo Paintings

Maurice Utrillo was a French painter whose work so often featured the streets and buildings of the Montmartre section of Paris. Typically the colors in his paintings are light; in painting after painting there are white buildings bathed in sunlight. While a gallery filled with his work might be monotonous, each painting by itself has proved very popular. Prints of his work are to be found in many homes. When Utrillo died in 1955, it became known that a large collection of his work had still not come onto the market for sale. His widow, who owned the unsold paintings and who had managed his business affairs for many years, made it clear that she would be offering the paintings for sale only one at at time and at a slow rate over the years ahead. (From Comparative Economic Systems, John Coleman, Holt, Rinehart & Winston.)

Questions for Inquiry and Discovery

1. What is Madame Utrillo trying to accomplish by selling the paintings slowly?

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Questions for Inquiry and Discovery

1. What is Madame Utrillo trying to accomplish by selling the paintings slowly?

2. How can her strategy be described in terms of supply and demand (plot it on graph)?

3. Why is she able to do this? Is this a competitive market?

4. Are the prices of the paintings still set by supply and demand?

The Case of the New York Stock Exchange

The New York Stock Exchange is the world's largest trading market for the purchase and sale of shares of ownership (stock) in industry. Four or five million shares may exchange hands on a single day in that market, which is linked by telephone and teletype to stockbrokers' offices all over the country. (Stockbrokers act as go-betweens, or agents, for those who want to buy or sell stock.) Buyers and sellers have almost instant access to information on the prices at which stocks are changing hands. The price of any one stock may rise or fall sharply in any one day.

Questions of Inquiry and Discovery - Small Groups

1. Have students draw supply and demand curve for a fictional industrial company. Determine why they drew them this way.
2. How does supply and demand help to explain why the price of one stock might rise and the price of another drop in any one day?
3. What might be behind such a rise or fall?
4. Does this market operate the same way as the market for the painting? Beef?
5. How does it differ? How is it alike?

The Case of a Baby Sitting Service

Mary believes that a babysitting service is needed in her neighborhood. She estimates that she can hire fellow students to do the work at $1.00 per hour while she supervises them and rounds up customers. By advertising in the local newspaper and offering her services at a flat weekly rate, Mary things that she can average between 20 and 30 customers.

Questions for Inquiry and Discovery

1. How much should Mary charge for her services?
2. Assume that Mary's efforts as manager are worth $2.00 per hour. How much pure profit will Mary make if she gets 20 customers at rate you suggested?
3. Do you think that Mary should spend money for advertising? How much do you think would be reasonable in her circumstances?
4. What economic principles are involved in this problem? What additional information is needed to help solve Mary's problem?

Question for Small Group Discussion

1. What would the object of each of the following be on supply, demand and price?

    a. Rent control
    b. Monopoly price
    c. Minimum wage laws

*3.

UPI

These children are but two of the countless number who boomeranged the hula-hoop fad into a million-dollar business.

The Case of the Hula Hoops

In July 1958, two men in San Gabriel, California, started the nation spinning into one of the most carefree fads of the decade. They invented the hula hoop.

The two men, owners of a small firm called the Wham-O-Manufacturing Company, secured the aid of technicians from a major plastic company, to design a simple plastic hoop about thirty inches in diameter. The hoop was meant to be placed around the body at waist height and then kept spinning there by rapid and rhythmical twisting of the hips. A simple enough idea, once somebody thought of it.

The fad spread at a dizzy pace. And its variations were endless. Some children and adults, too, specialized in seeing how many hoops they could keep going at one time using body, arms, and neck. Others entered contests to see how long they could keep the hoops spinning. There were classes in the finer points of hoopery, health clubs to promote the spinning habit, and "hoop-it-up" parties. Nor was the fad confined to the United States - France, Britain, and Japan soon joined in. And a Belgian expedition leaving for the Antarctic reportedly took a hoop for the trip.

The Wham-O Manufacturing Company was not alone in the field for very long. By September 1958, at least twenty other companies were making hula hoops. Manufacturers of piping and hose quickly converted their equipment to turn out the simple plastic hoops. By mid-September, Life Magazine estimated that twenty million hoops have been sold for about $30 million. (Hoops sold from as low as $.79 to as high as $2.50 each.)

As quickly as it sprung up, the fad died away. The former manufacturers of piping and hose went back to making piping and hose. The retailers left with a large supply of hoops sold them at sacrifice prices; one of them cut his hoops in half and sold them as loops for decorative garden fence. So it was that a few years and twenty million hoops later, a child could ask his parents, "What's a hula hoop?"

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Questions for Inquiry and Discovery

1. Why did people buy hula hoops? Why did they stop?
2. Why did the price of hula hoops vary from $.79 to $2.50?
3. Why did the demand for hula hoops change?
4. Why did the supply of hula hoops change?
5. What effect did the changing supply and demand have on the price of hula hoops?
6. Are there other reasons why people buy varying amounts of a product at a given time? Why? What effect will it have on price?

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*Recommended for Students Achieving Below Grade Level

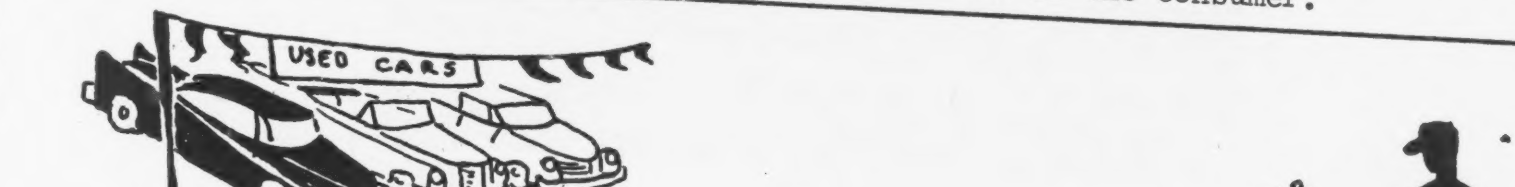
III. WHAT IS THE ROLE OF THE CONSUMER IN OUR MARKET SYSTEM?

Emphases: Young people have made a great impact on the market today

Consumers should also weigh factors other than price before buying

Many private and public agencies are available to aid and protect the consumer

*A. Using pictures to understand the role of the consumer.


USED CARS
CONSUMER
PRODUCER
INVESTOR
BANK
$
$
POLITICAL DECISIONS

THE INDIVIDUAL PLAYS A CENTRAL ROLE IN OUR ECONOMIC SYSTEM

(from Economics, Dept. of Public Instruction, Harrisburg, Pa., 1962)

Questions for Inquiry and Di

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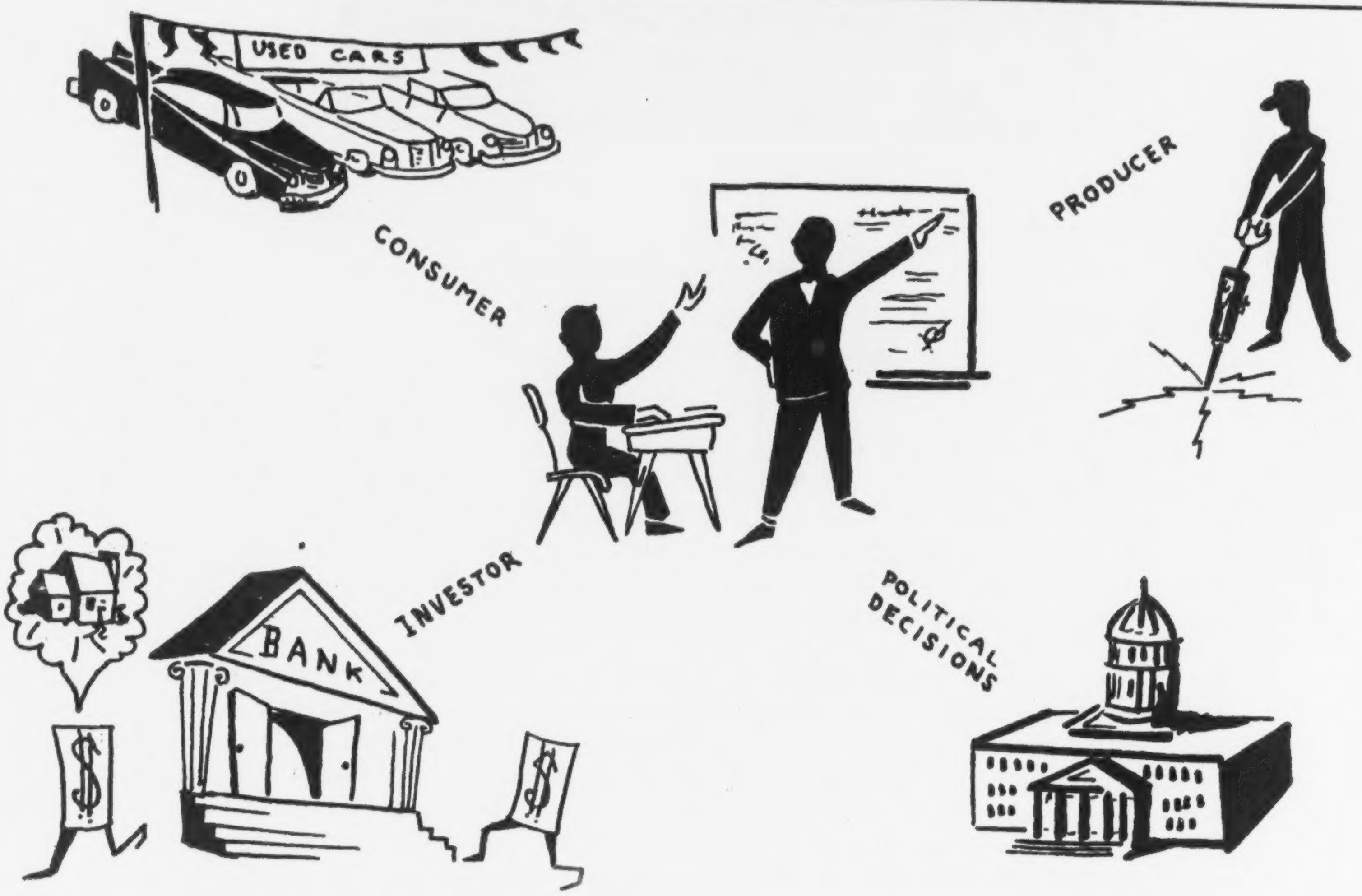


THE INDIVIDUAL PLAYS A CENTRAL ROLE IN OUR ECONOMIC SYSTEM

(from Economics, Dept. of Public Instruction, Harrisburg, Pa., 1962)

Questions for Inquiry and Discovery

1. Explain each of the roles pictured in the cartoon. Give example of each.
2. Which role do you feel is the most influential? Explain.
3. Which roles have you been in?
4. How influential have you been in each of these roles? Give examples.

Follow-up Activities

1. Read the following article and answer questions below:

'Green Power' for Teens

By Laurie Johnston

Albany, N. Y.

Joe McKnight, a 15-year-old junior from Corinth High School, is spending his own money for the first time. He mowed the cemetery all summer for a $100 flat fee.

Carol Cabibbo, 16, a junior from Brooklyn, gets a $5 weekly allowance for lunches and entertainment.

Pat Campione, 16, a senior from Little Falls, asks her parents for whatever she wants but makes many of her clothes and baby-sits for 50 cents an hour.

And Barbara Jurka, 17, a senior from Binghamton, works at a hospital every other weekend for 16 hours at $1.90 per hour.

At the invitation of the New York State Department of Commerce, they and 500 other consumers-in-training from high schools, junior high schools and junior colleges were giving up a Saturday of crisp football weather to talk about how to spend money. And how not to.

It was the first Statewide Teenage Consumer Conference.

The Empire State's business community had gotten the message that the average U.S. teenager spends $11 a week. The conference guests illustrated the wide ranges of "average" in the handling of money: earning, spending, saving and owing it.

In its campaign to alert all teen-agers that, one way or another, each is a consumer-in-training, the Commerce Department had been startled by another statistic (to parents, perhaps, not a very surprising one): Across the nation, 12-to-20-year-olds are spending $3,000,000 an hour.

They spent $11 billion last year and they influenced family purchasing that mounted up to another $100 billion.

"Even without the political right to vote, you are a power group all the same," state officials told the conference. "You have dollar power, 'green power.' (Somebody called it teen-green power.)

"But along with power goes responsibility - the responsibility to vote intelligently with your money and to insist on good consumer practices as well as good business practices."

New York Times

Questions for Inquiry and Discovery

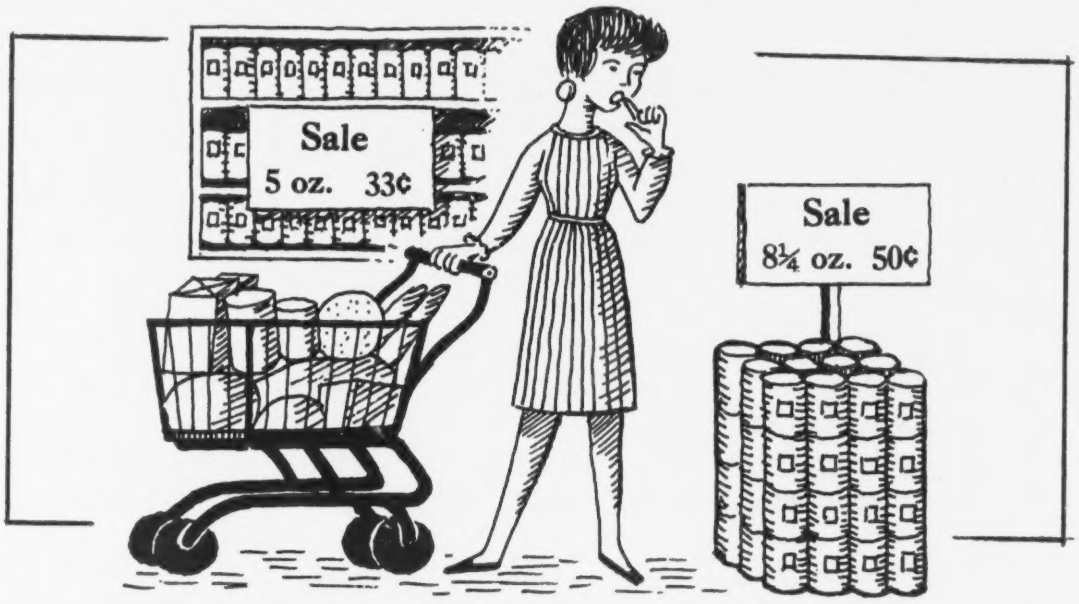
1. What is meant by "teen green power?"

2. Why do producers seek the teenage market?

3. How have teenagers influenced the types of goods and services produced.

4. What responsibilities should teenagers have to go along with their dollar power?

*B . Using cartoon to understand the problem of pricing goods.



Questions for Inquiry and Discovery

1. What title would you give to this cartoon?

2. Why is the consumer "bewildered"?

3. Is the opportunity for so many choices of many products a blessing or a curse to the consumer? Explain.

4. Why is the consumers' knowledge limited?

Questions for Discussion

1. What was the purpose of the Fair Packaging and Labeling Act of 1966?

2. How effective has the law been?

3. Do problems still exist? Why?

4. How can the consumer help himself?

5. Should the government take additional steps to help the consumer? Explain.

Follow-up Activities

*1. Have students make a list of grocery products and have them priced in all sizes in various stores.

How many sizes were available?

Was the largest size the cheapest per ounce?

Should you buy all your goods in one store? What are the advantages? Disadvantages?

Why did prices vary among competing products? From store to store?

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*Recommended for Students Achieving Below Grade Level

*2. Using short stories to understand "Bait Advertising."

What Should the Consumer Know About "Bait Advertising"

Mr. and Mrs. Henry Green were sitting in their living room one Sunday afternoon. They were watching a movie on television that they had missed when it played in the neighborhood 15 years ago. After the first 10 minutes of the picture was shown, the announcer came on with the commercial.

The announcer showed a sewing machine that sold for only $29.95. It came with a number of attachments that did fancy stitching and embroidery work. The announcer said that sewing machines that did the same job cost three and four times the price of this machine. He showed the kind of work the machine could do.

While the announcer sewed fancy stitches on the material, Mrs. Green told her husband that the machine was just what she needed. "I could save a lot of money making my o wn clothes, "Henry," she said, "and it's so cheap."

The announcer repeated the price of his machine. He read off a list of telephone numbers that viewers could call if they wanted to see the machine demonstrated. "And," he said, "if you hurry, we'll send you - at no cost - a sewing box that is worth $10. Remember in Brooklyn, call ...."

The picture came on again but Mrs. Green lost interest. "How about it, Henry?", she asked her husband. "It won't cost anything to look at it." Mr. Green, anxious to get back to the movie, shook his head yes. Quickly, his wife went to the telephone and dialed the number. The operator took her name, address and convenient day and time that the demonstrator could visit.

In a few days, a salesman came with the machine. He set up the machine and showed Mrs. Green how it worked. He asked Mrs. Green to try it. She began to stituch two pieces of material together. She used the attachments and sewed fancy stitching. She tried the embroidery attachments but wouldn't work. She noticed that the stitches were falling apart. She pointed this out to the salesman. Mrs. Green told the demonstrator that the machine made an awful racket and at times the needle wouldn't move. "Well, the salesman told her, "this machine costs only $29.95. It can't perform miracles."

When she asked if all the machines worked as poorly, the salesman was very frank. He said, "I am sorry to admit it but we have a lot of trouble with these machines. They have to be repaired very often. But, if you could spare a minute, I just happen to have another model in my car that is a beauty. It makes this old machine look as if it were built in the Middle Ages."

He went to his automobile and returned with another sewing machine. It looked modern and it worked well and quietly. It did all the work that the machine shown on the television commercial did. Because it was so up-to-date and well-built, it cost $129.95. The salesman told Mrs. Green that she could have the machine at once if she agreed to pay only $2.00 a

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Questions for Inquiry and Discovery

1. The kind of advertising described here is called "bait advertising." Why do you think this name is a good one?

2. Which machine does the company want to sell - the $29.95 one or the $129.95 one? How do you know this is so?

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*Recommended for Students Achieving Below Grade Level

Questions for Inquiry and Discovery

3. If you were Mrs. Green, which machine would you have bought, if any? Why?

4. Do you think Mrs. Green was a wise consumer? Why or why not?

5. What similar commercial have you seen on television?

*3. Using transparencies to teach consumer economics

Use the set of transparencies, Consumer Economics, published by Hammond to develop the theme of consumer rights, role and responsibility in the American economy.

Questions for Inquiry and Discovery

1. Why is price only one important factor in buying products? What else is important?

2. What are some of the problems of good buying?

*4. Individual research

Have students report on how each of the following have helped the cause of the consumer.

- Virginia Knauer

- Ralph Nader

- Rachel Carson

- Bess Meyerson Grant

*5. Comparison of actual warranties - Such a project should include research which would cover the following questions:

a. What is the difference between a "warranty," a "guarantee" and a "puff?"
b. What should warranties include?
c. How do warranties from the various automobile manufacturers differ?

4. Do you think Mrs. Green was a wise consumer? Why or why not?

5. What similar commercial have you seen on television?

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b. What should warranties include?
c. How do warranties from the various automobile manufacturers differ?
d. Are there warranties on used cars? How do these differ from new car warranties?
e. Compare an automobile warranty with a warranty on a different type of product.

*6. Questionnaires would be taken home to parents and filled out by students who would interview their parents. It would concern their choices of stores in regard to:

accessibility
lighting
variety
refund policy
delivery
ethics of owner
cleanliness
service
quality
credit
price range
courtesy service

The teacher should keep a tally sheet for class summation.

*7. Each class member can choose a product which they really intend to buy in the near future. They would use Consumers Union Reports, Consumers' Digest, and Consumers' Research Bulletins to help their decision making. This would work well about December 1 as the item might be a Christmas gift.

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*Recommended for Students Achieving Below Grade Level

*8. Analysis of advertising:

In an analysis an ad should be taken apart primarily from the standpoint of the consumer and not from the advertiser's standpoint. Some things to look for are:

1) Is the ad truthful?
2) Is the copy honest and to the point?
3) Does copy lead you into wishful thinking?
4) What is the company's reputation?
5) Does it sound like it's plausable?
6) Is the price competitive: Does the product have warranties given or implied?
7) What do the competitors say about their product?

*9. Consider the following industries whose products might pose a threat to public health.

___1. Pharmaceuticals
___2. Meat packing
___3. Automobiles
___4. Pesticides
___5. Cigarettes
___6. Cosmetics

Place the letter or letters of the following forms of regulation in the blank spaces above to indicate the extent of regulation you would require in each industry. A. Government inspection at production site; B. Exact labeling of contents; C. Limiting claims on labels to those that are provable; D. Warning labels on products suspected of being hazardous to health; E. Warning labels on products proved to be hazardous; F. Establishment of federal standards; G. No Government regulation required.

Teachers should use specific items that are in the news to create actual case studies i.e. cyclamates, DDT.

*10. Have the students create a personal budget for a month. Instruct them to keep track of their income and expenditures for that month. At the end of the period, discuss the following questions:

a. How would I change my budget and why? (Through this question, the concept of scarcity and the economic necessity of meeting unlimited wants with limited resources can be induced by the teacher.)
b. What factors must be considered in creating a budget?
c. What percentage of a personal budget - if any - should be allocated to savings?
d. What forms of investment - if any - should be accounted for in a budget?
e. What percentage of a personal budget should be allocated for necessities? For luxuries? In what way does the size of the budget alter those percentages? (This latter question may be answered more easily if the students are asked to make a fictional budget assuming a very large income. Compare this hypothetical budget with the actual budgets of the students.)

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*Recommended for Students Achieving Below Grade Level

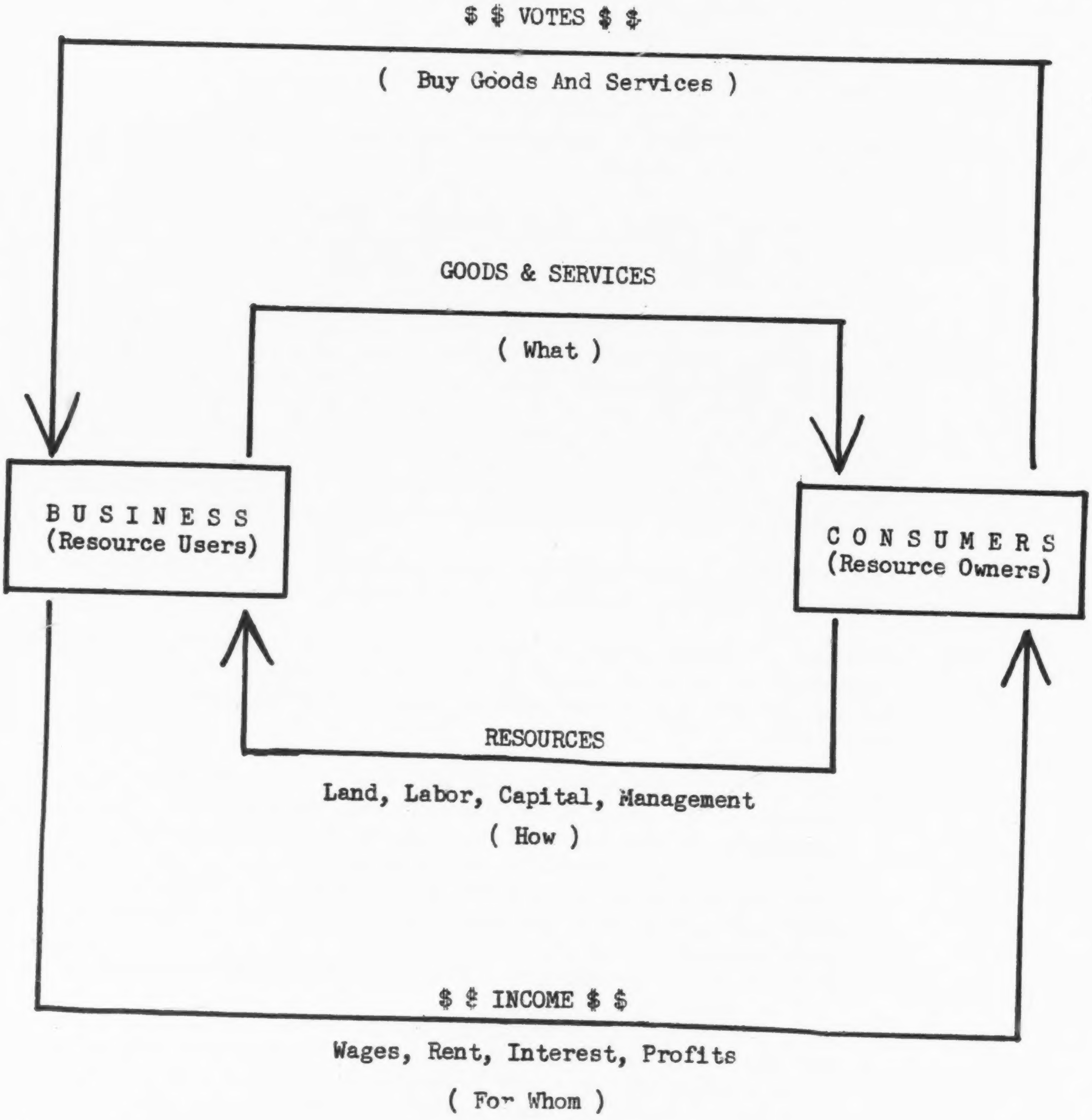
IV. HOW HAS OUR MARKET ECONOMY MADE MAN INTERDEPENDENT?

Emphases: The complexities of our economy has created an interdependent system.

The Federal government has been playing a more important role in our economy.

A. Using models to understand the interdependence in our economic system.

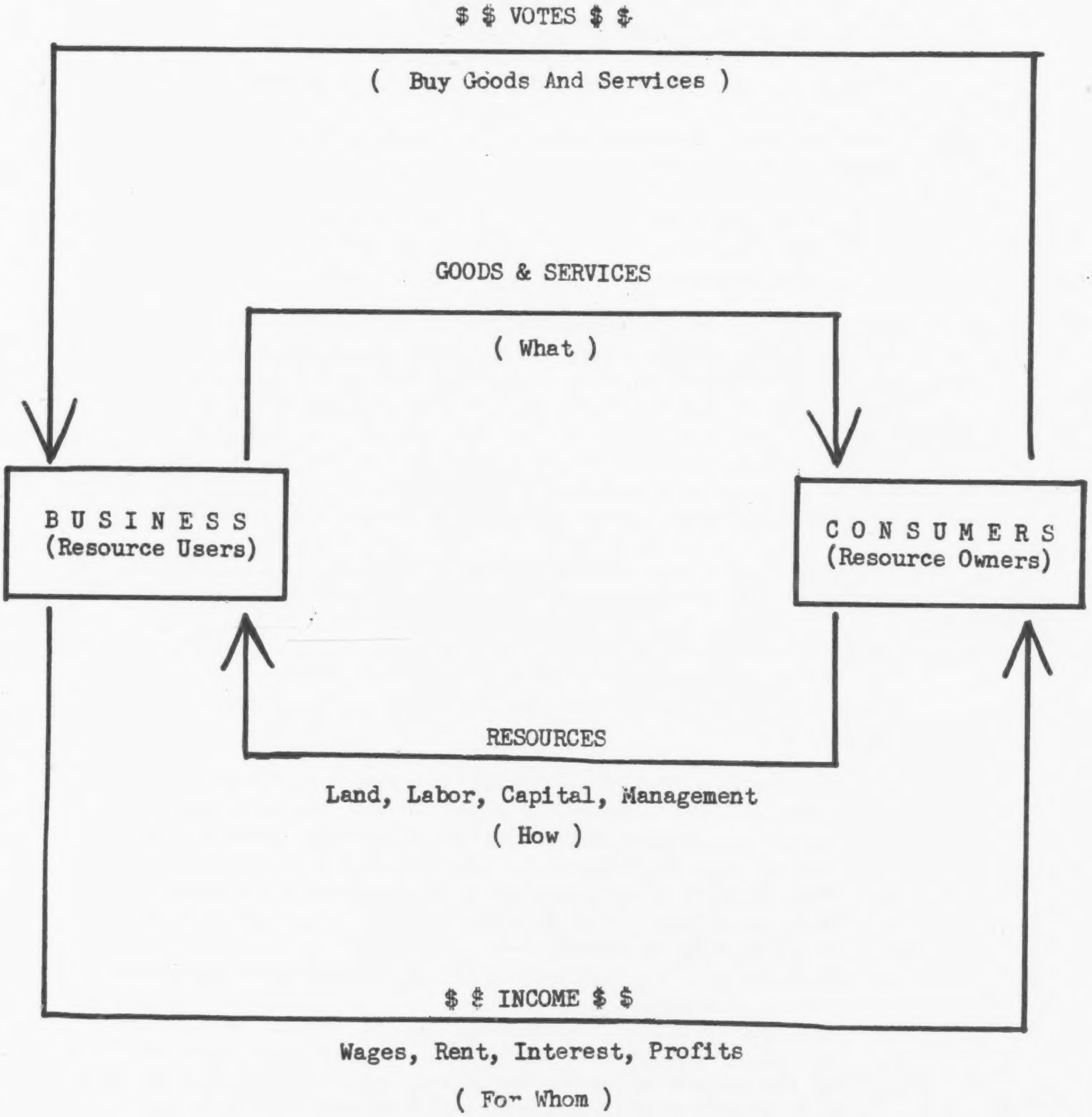
THE MARKET ECONOMY


$ $ VOTES $ $
(Buy Goods And Services)
GOODS & SERVICES
(What)
BUSINESS
(Resource Users)
CONSUMERS
(Resource Owners)
RESOURCES
Land, Labor, Capital, Management
(How)
$ $ INCOME $ $
Wages, Rent, Interest, Profits
(For Whom)

Questions for Inquiry and Discovery

A. Using models to understand the interdependence in our economic system.

THE MARKET ECONOMY


$ $ VOTES $ $
(Buy Goods And Services)
GOODS & SERVICES
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(Resource Users)
CONSUMERS
(Resource Owners)
RESOURCES
Land, Labor, Capital, Management
(How)
$ $ INCOME $ $
Wages, Rent, Interest, Profits
(For Whom)

Questions for Inquiry and Discovery

1. Why is this chart often called "circular flow of money.
2. Why are dollars called votes?
3. How do consumers get their dollars to spend?
4. Where does business get its resources for production
5. What major sector of our economy is not included in this chart?
6. How does this chart show interdependence?

Questions for Group Discussion

1. A reduction of production will lead to a reduction of income. Explain.
2. How does this chart show interdependence in our economy?

Follow-up Activities

1. A witty American economist, H. J. Davenport, sought to describe some of these complex price interrelations in a poem:

The price of pig
Is something big;
Because its corn, you'll understand
Is high-priced, too;
Because it grew
Upon the high-priced farming land.

If you'd know why
That land is high
Consider this; its price is big
Because it pays
Thereon to raise
The costly corn, the high-priced pig.

Questions for Inquiry and Discovery

1. Why is the price of a pig high?

2. What factors determine the price of corn?

3. Why are lard prices high?

4. What is a good title for this poem? Why did you choose this title?

Questions for Group Discussion

1. How is the market for butter and the market for margarine related?

2. How is the market for lumber and the market for houses related?

3. How do the two sets of relationships above differ?

**2. Problem for individual work

Prices in a market system are all interdependent. Relative prices and changes in relative prices cause profit-seeking resource owners to move their resources from one use to another. Test your understanding of these fundamental points by working out an explanation of the following facts which actually happened in the United States economy.

An increase in the price of hogs in Chicago led to a steel shortage in Pittsburgh and an oil shortage along the east coast.

(The high hog price in Chicago led Midwest farmers to feed hogs more corn to make them heavier and fatter at selling time. This led to a reduction in the amount of corn being sent to the livestock areas of the northeast. To get more feed to the northeast, wheat was imported from Canada. The wheat was imported through the Great Lakes shipping system, which reduced the shipping of iron ore and led to the eventual steel shortage. Changes in relative prices do affect the flow of real goods and services!

The increased use of grain to feed the hogs and cattle also caused a reduction in the amount of grain available to make industrial alcohol. This led to the importation of Caribbean molasses to make industrial alcohol. But the use of tankers for this

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Is high-priced, too;
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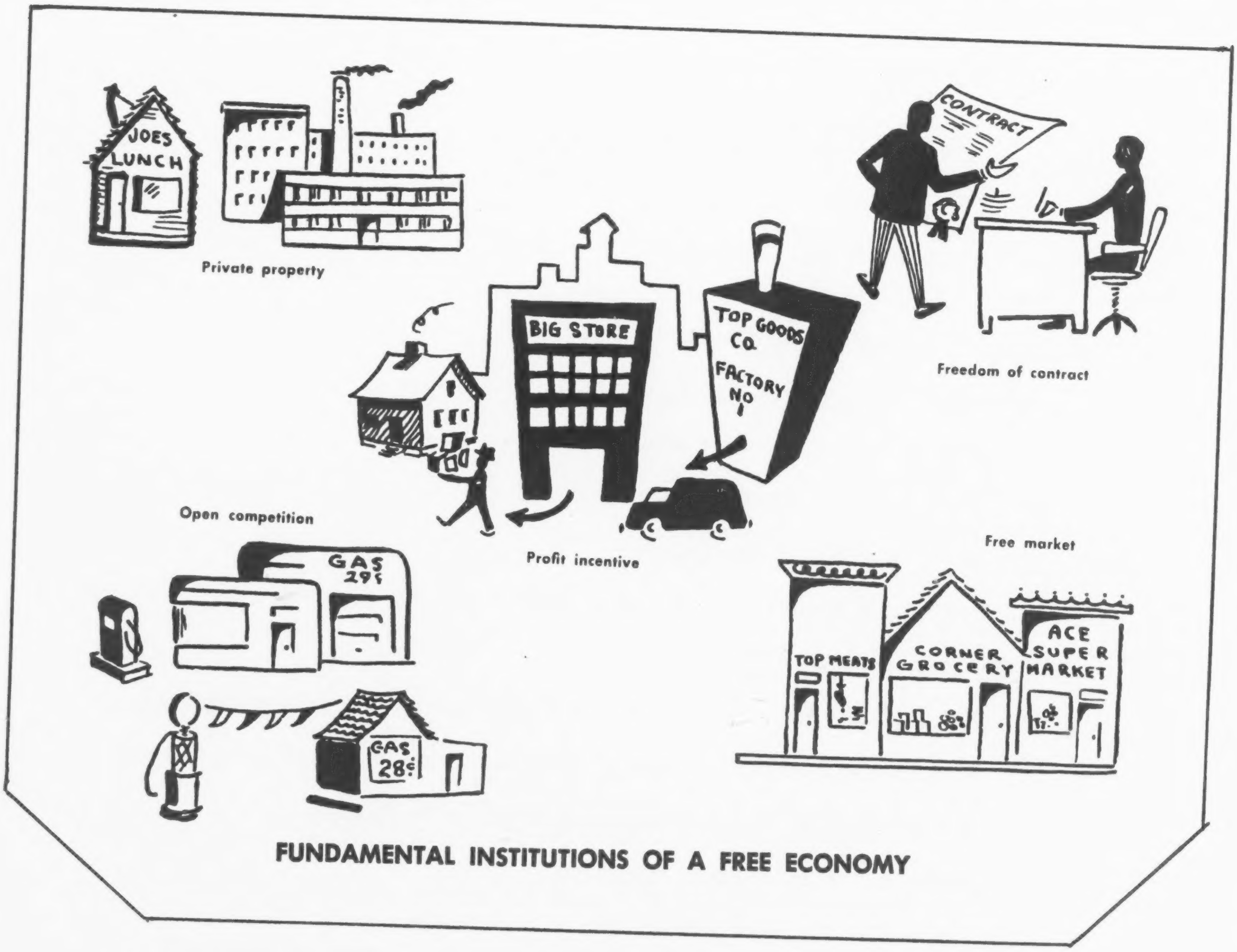
The increased use of grain to feed the hogs and cattle also caused a reduction in the amount of grain available to make industrial alcohol. This led to the importation of Caribbean molasses to make industrial alcohol. But the use of tankers for this purpose reduced petroleum shipments from parts in the Gulf of Mexico. So an oil shortage as well as a steel shortage resulted from changing the price of hogs!

Students should be encouraged to figure out possible relationships and these true facts should not be introduced until several other possibilities have been examined and checked for accuracy. Students could figure out, for example, that if the increased hog price made farming very profitable, steelworkers might leave Pittsburgh for farming and bring about a steel shortage in this way. Encourage them to explore this type of thinking relating changes in relative prices to movements of resources, goods and services in an interdependent market system.)

**Recommended for Students Achieving Above Grade Level

*B. Using and interpreting a cartoon to learn about the institutions of our economic system.

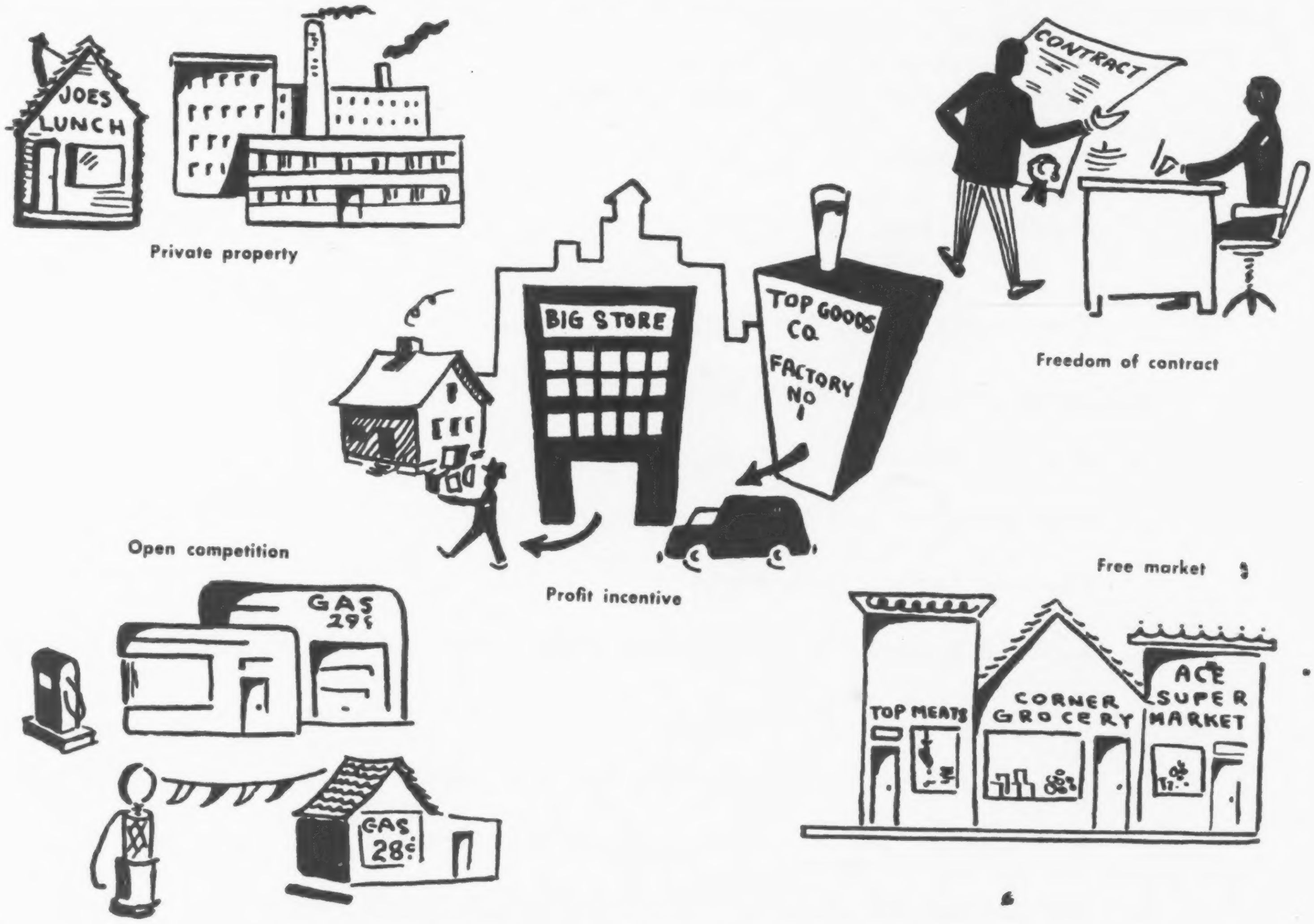

JOES LUNCH
Private property
CONTRACT
BIG STORE
TOP GOODS CO. FACTORY NO 1
Freedom of contract
Open competition
Profit incentive
Free market
GAS 29¢
TOP MEATS
CORNER GROCERY
ACE SUPER MARKET
GAS 28¢

FUNDAMENTAL INSTITUTIONS OF A FREE ECONOMY

(from Economics, Dept. of Public Instruction, Harrisburg, Pa. 1962)

Questions for Inquiry and Discovery

1. Explain each of the five items in picture two. Give examples.
2. Why are these items fundamental to a free economy?
3. Picture 1 shows that under certain circumstances government intervens in these institutions. Give examples for each category.
4. Do you feel it is necessary for the government to interfere in our free enterprise economy? Explain.
5. Our economy is often called a "mixed free enterprise economy." Do you think this is an appropriate title?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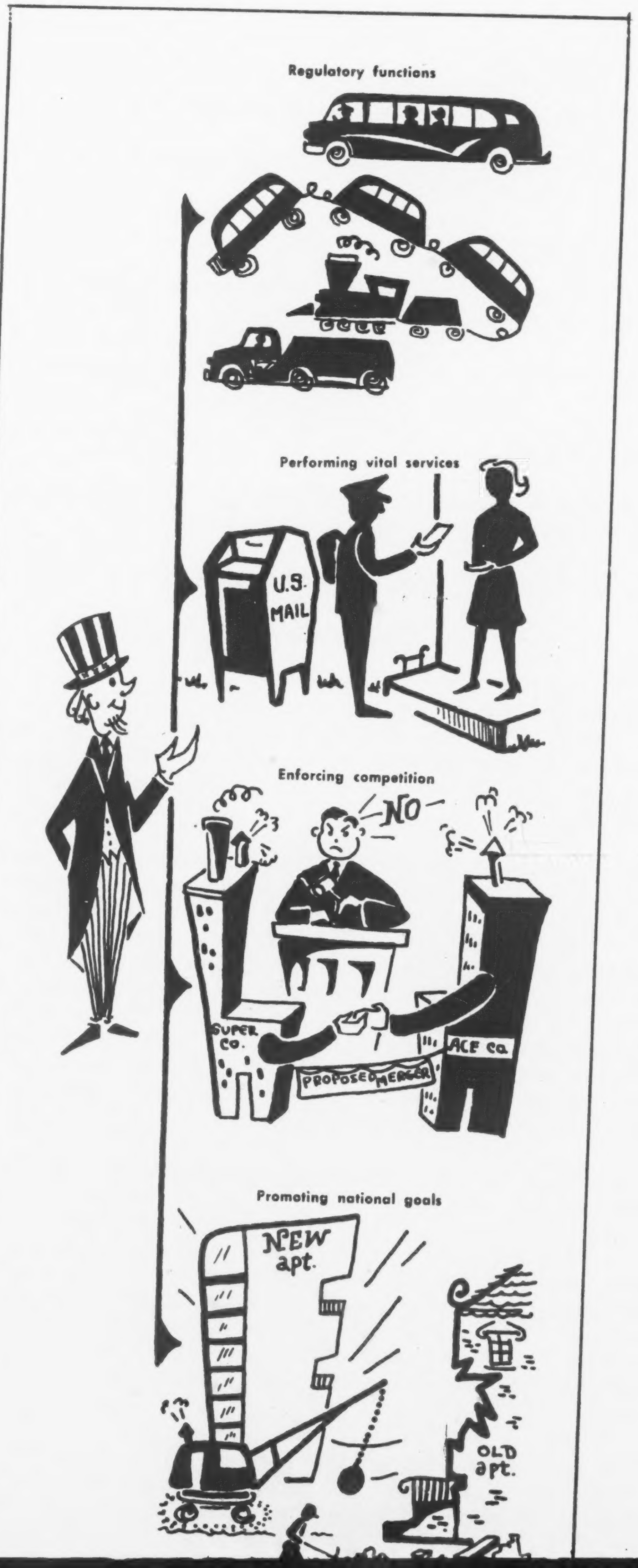
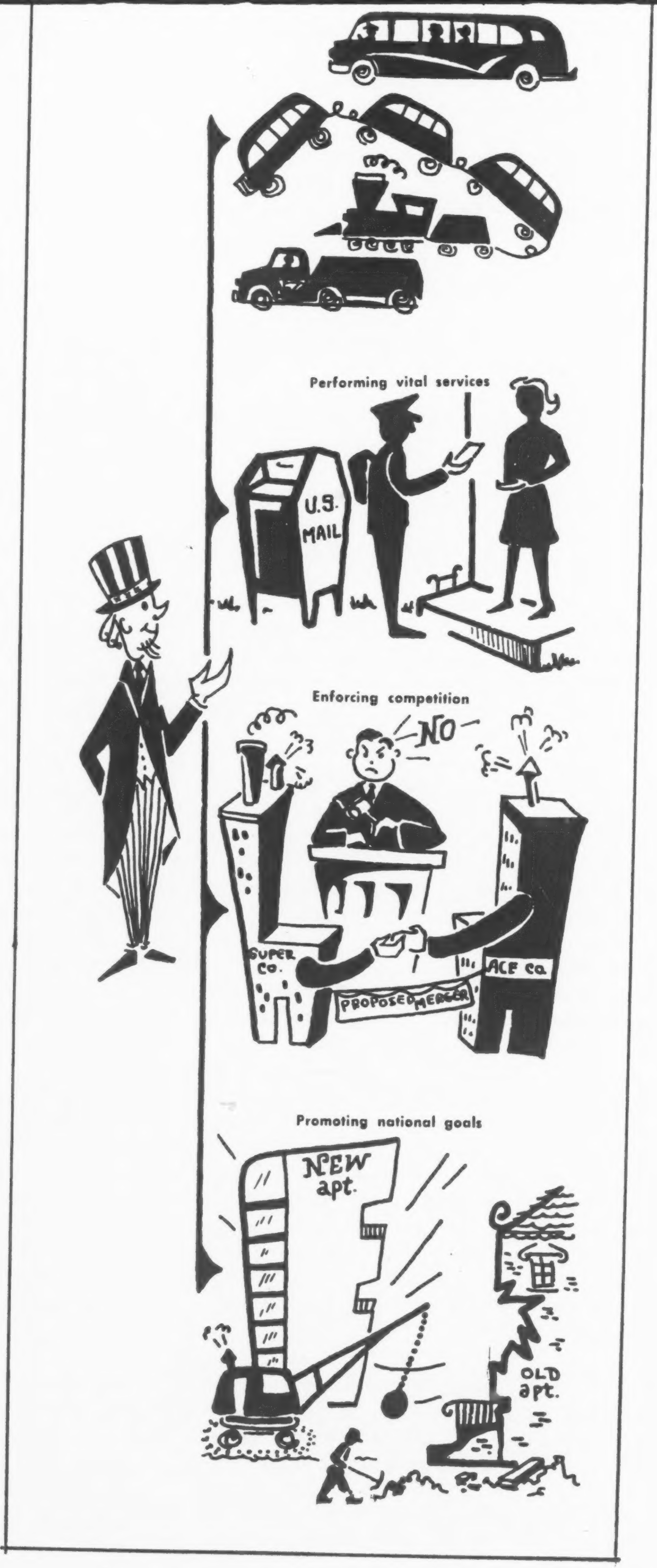
*Recommended for Students Achieving Below Grade Level

Follow-up Activities

*1. Using cartoon pictures to understand the changing nature of the market system.


Regulatory functions
Performing vital services
U.S. MAIL
Enforcing competition
NO
SUPER CO.
ACE Co.
PROPOSED MERGER
Promoting national goals
NEW apt.
OLD apt.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Questions for Inquiry and Discovery

1. What areas of government regulation of our economy are shown in the top picture?

2. What other jobs does our government perform?

3. How has the government increased its role in one of the areas shown above in your neighborhood?

Questions for Discussion

1. Is it better for the community if government builds housing or if private builders do the job? Why?

2. Should schools be privately run rather than government operated? Why?

Individual Project

Several students can develop a bulletin board display showing the areas of government involvement in our economy.

**2. Using an essay to show the changing nature of our economy

Whatever Became of Adam Smith?

"Well, they may have started off together - but they've sure drifted a long way apart ever since." The speaker was talking not about two individuals but about two of men's most important documents, both born in 1776. One was the Declaration of Independence in the New World, and one was Adam Smith's THE WEALTH OF NATIONS IN THE OLD WORLD.

"These two documents of 1776 are useful to talk about together because each says so much about the American experiment. The Declaration of Independence set in motion events which were to give the United States its chance to shape its own political destiny and to build a democratic society placing heavy emphasis on the rights of the individual to choose *his* own destiny. THE WEALTH OF NATIONS provided the intellectual underpinning or support for the economic ideas that were to become dominant in the new society. Maybe no one who signed the Declaration of Independence had yet heard of Adam Smith, but his influence was great in the years thereafter:

"Seen against the backdrop of economic ideas that prevailed before Smith wrote, THE WEALTH OF NATIONS was revolutionary. The book may be seen as an attack on the orthodoxy of "mercantilism" that had so long held key parts of Western Europe in its grip. Mercantilism was a protective philosophy that sought to move an economy from emphasis on agriculture to emphasis on industry through use of the powers of the state. To effect this change

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"Not so," said Adam Smith. Put man on his own and not under the protection of a planning, prodding government and he will achieve wonders that the world had never seen. The core of Smith's radical emphasis was in three propositions:

-men are most effectively motivated by self interest; that self-interest, far from being deplored and smothered, should be encouraged to the end that men would want to move ahead according to their own lights.

**Recommended for Students Achieving Above Grade Level

-men are most effectively regulated in pursuit of their self-interest by forces of competition; the abuse of power by a producer is a real enough possibility, but is best guarded against by making sure that the customer always has alternative sources of supply to which he may turn.

-the best role for government is a minimal one; government must keep the peace and must check to see that the competitive game goes on, but, beyond that, laissez-faire is the best policy.

"This was the rationale for the market society. And nowhere in the world did that rationale prove more powerful than in the United States. Here was man's great testing-ground for the new ideas of economic liberty.

"But now we are being told that the United States has bandoned Smith. The lament is heard that, in the middle thirty years of the twentieth century, we have turned from laissez-faire and free markets and competition towards government intervention and protection. No one denies that we have the richest society in the world. But that was the product of the free past, according to this line of argument. Now we are on the road to ruin.

"Is Smith dead?"

"The surface evidence is convincing enough. Play the alphabet game, by simply listing the new regulatory agencies and institutions that impinge upon our economic life: the F.T.C. (Federal Trade Commission), F.P.C. (Federal Power Commission), F.C.C. (Federal Power Commission), F.C.C. (Federal Communications Commission), S.E.C. (Securities Exchange Commission), F.D.A. (Food and Drug Administration), F.H.A. (Federal Housing Agency), C.A.B. (Civil Aeronautics Board), N.L.R.B. (National Labor Relations Board, as so on through countless more combinations of letters until one ends with J.F.K. and and L.B.J. Government today is a regulator, producer, subsidizer, taxer, protector, educator, seller, and buyer. And what would Smith have thought of that?

(From Comparative Economic System, John R. Coleman, Holt, Rinehart & Winston, p. 102)

Questions for Inquriy and Discovery

1. What do you predict would happen if the United States depended on private firms competing in the market place for the job of defending our country against aggressors?

2. Should government regulate the safety of cars? Medicines? Explain.

3. Would you have supported legislation protecting children in industry? Providing equal pay for men and women doing the same job? Explain.

4. List the areas where you feel government control of the market mechanism would be desirable. Justify each. How many of these would Adam Smith have included on his list of approved government projects?

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Individual Research

What are the arguments for and against establishing a corporation to operate our Postal System?

THEME I - INTRODUCTION TO ECONOMICS

Selected Bibliography - For High School Students

N = Non-Fiction F = Fiction B = Biography

Class	Author	Title	Publisher	Date
N	Alexander, Albert	The Challenge of Economics: A Guide to the Perplexed	Pitman	1970
N	Ammer, Dean	Readings and Cases in Economics	Ginn	1966
N	______	Today's Economics	American Education Publications	1968
N	______	Do You Know Your Economic ABC's?	Dept. of Commerce	1963
N	______	The Price System	Federal Reserve Board of Philadelphia	
N	Caplovitz, David	The Poor Pay More	Free Press	1968
N	Hacker, Louis	American Capitalism	Van Nostrand	1957
N	Heilbroner, Robert L.	The Making of Economic Society	Prentice-Hall	1962
N	Heilbroner, Robert L.	The Worldly Philosophers	Simon & Schuster	1961
N	Magnuson, Warren	The Dark Side of the Market Place	Prentice Hall	1968
N	Margolius, Sidney	Consumer's Guide to Better Buying	Pocket Books	1963
N	Nader, Ralph	Unsafe at any Speed	Pocket Books	1967
N	Packard, Vance	The Hidden Persuaders	Pocket Books	1957
N	Robinson, Marshall, et al.	An Introduction to Economic Reasoning	Doubleday	1962

Selected Bibliography - For Teachers

Author	Title	Publisher	Date
Adler, Mortimer (ed.)	Annals of America Conspectus, 2 Vol.	Encyclopedia Britannica	1969
________	Annals of America 20 Vols.	Encyclopedia Britannica	1968
Bach, G. L.	Economics: An Introduction to Analysis and Policy (6th ed.)	Prentice-Hall	1968
Friedman, Milton	Capitalism and Freedom	University of Chicago	1965
Heilbroner, Robert	The Limits of American Capitalism	Harper & Row	1966
Maher, John	What is Economics	John Wiley	1969
McConnell, Campbell	Economics (4th ed.)	McGraw-Hill	1969
Prehn, Edward	Teaching High School Economics: The Analytical Approach	Pitman	1968
Samuelson, Paul	Economics (8th ed.)	McGraw-Hill	1968
Samuelson, Paul et al.	Readings in Economics	McGraw-Hill	1964

Audio-Visual Materials

Films

	Allocating Our Resources Budgeting	Bailey Films
	Beginning Responsibility: Using Money Wisely	Coronet Films
BAVI	Consumers Want to Know	Consumers Union
317.9	Installment Buying	Bailey Films
	Retail Credit Buying	Bailey Films

Filmstrips

	Economics: The Science of Choice	McGraw-Hill
45600.1	American Capitalism	
	Basic Economic Concepts:Section I	McGraw-Hill
(Sound)	Consumer Education; Money Management	Bailey Films
	Protecting the Consumer	New York Times
45330.1	The American Economic System	
	Value of Your Dollar	Current Affairs Films
	The Role of the Consumer	Joint Council on Economic Education
	American Capitalism	McGraw-Hill

Transparencies (These sets can be used in several Themes)

The World of Economics	McGraw-Hill
An Introduction to the American Economy	Heath
Comparative Economic Systems	Holt, Rinehart & Winston

Simulation Games

Consumer	Webster Publishing Co., New York, N.Y.
Economic System	Webster Publishing Co., New York, N. Y.
Market Game	Holt, Rinehart and Winston, New York, N.Y.

THEME II: ORGANIZING PRODUCTION TO SATISFY ECONOMIC CHOICES

Introduction

The learning activities in this section are designed to help the student evaluate the impact of the revolution in industrial techniques.

The activities should also enable the student to understand the nature of business organization and how the growth of big business has transformed our economy into one of "high mass consumption."

In this theme the learning activities are centered around three significant problems:

I. Why does the United States enjoy high productivity?

II. How do businesses organize and develop?

III. What is the role of big business in the American economy?

I. WHY DOES THE UNITED STATES ENJOY HIGH PRODUCTIVITY?

Emphases: New technology has expanded the uses of our natural resources.

Increased productivity due to increased quantity and quality of resources has led to the growth of our standard of living.

A. Using a problem to develop the understanding that common elements are needed in all production -- land, labor, capital, and management.

In a large American city a few years ago the police department converted an abandoned air strip into a drag strip for the use of teenagers who wished to try out their mechanical creations. Not only was the number of automobiles reduced but the strip itself became a center of community entertainment for young and old. On any summer weekend hundreds of spectators flocked to the drag strip. It didn't take too many hot evenings to make the public drinking fountain and the sole "coke" machine completely inadequate to satisfy the thirsty throats of the spectators.

A couple of high school students saw possibilities in this situation: potential customers were just waiting to satisfy their thirst and hunger and were apparently willing to pay for it.

When the students approached one of the parents for advice on the possibility of setting up a snack-bar he told them that he'd be willing to loan them money to begin the project. Before he did that, however, he asked them to draw up a list of the things they'd need to consider before they could begin satisfying the wants of the drag strip spectators. In other words he was asking them to list what combination of things would produce the items necessary to satisfy the wants of the crowds.

Questions for Inquiry and Discovery

The learning activities in this section are designed to help the student evaluate the impact of the revolution in industrial techniques.

The activities should also enable the student to understand the nature of business organization and how the growth of big business has transformed our economy into one of "high mass consumption."

In this theme the learning activities are centered around three significant problems:

I. Why does the United States enjoy high productivity?

II. How do businesses organize and develop?

III. What is the role of big business in the American economy?

I. WHY DOES THE UNITED STATES ENJOY HIGH PRODUCTIVITY?

Emphases: New technology has expanded the uses of our natural resources.

Increased productivity due to increased quantity and quality of resources has led to the growth of our standard of living.

A. Using a problem to develop the understanding that common elements are needed in all production -- land, labor, capital, and management.

In a large American city a few years ago the police department converted an abandoned air strip into a drag strip for the use of teenagers who wished to try out their mechanical creations. Not only was the number of automobiles reduced but the strip itself became a center of community entertainment for young and old. On any summer weekend hundreds of spectators flocked to the drag strip. It didn't take too many hot evenings to make the public drinking fountain and the sole "coke" machine completely inadequate to satisfy the thirsty throats of the spectators.

A couple of high school students saw possibilities in this situation: potential customers were just waiting to satisfy their thirst and hunger and were apparently willing to pay for it.

When the students approached one of the parents for advice on the possibility of setting up a snack-bar he told them that he'd be willing to loan them money to begin the project. Before he did that, however, he asked them to draw up a list of the things they'd need to consider before they could begin satisfying the wants of the drag strip spectators. In other words he was asking them to list what combination of things would produce the items necessary to satisfy the wants of the crowds.

Questions for Inquiry and Discovery

1. What items would be needed to satisfy the needs of the crowd?

2. How can we fit these items into some common categories and relationships?

3. What are the factors of production needed for all production?

Follow-up Activities

*1. Students can be given the following exercise to discover that natural resources become productive resources when they can be used to produce goods and services.

The following is a list of gifts nature has given to man. Identify those that are natural productive resources:

1) Clams living in a river bed polluted by industrial waste
2) Natural uranium discovered in the Canadian Rockies in 1629
3) Pineapples growing in uninhabited jungles
4) That section of the Hudson River that flows between Jersey City and Manhattan
5) The Florida climate
6) The climate of Southern California
7) The climate of the Mojave Desert
8) Fertile farm land on the western plains of the American continent in 1723
9) Fertile farm land in Pennsylvania in 1966
10) Unirrigated desert land in Palestine in 1936
11) Irrigated desert land in Israel in 1966
12) Lobsters off the coast of Maine
13) A Delicious apple grown in an Oregon orchard
14) An inedible wild apple grown from a seed planted by Johnny Appleseed
15) Undiscovered oil somewhere in Texas
16) A depleted oil well in Titusville, Pennsylvania
17) Silver in the hills of Nevada
18) Ice in Northern Alaska
19) Cattle in a Hindu village of India
20) Cattle in the Chicago stockyards

2. What is a resource?

Before the invention of substitute materials, a black shale called slate was used exclusively in the production of blackboards. (Many persons still prefer the natural slate blackboards.) In the process of quarrying the slate large amounts of inferior shale must also be removed. Throughout the slate district of eastern Pennsylvania, large piles of this inferior shale dot the landscape. This useless shale is not considered a resource; in fact, it is considered a nuisance, a blot on the natural landscape.

Now we will imagine that a process is discovered by which this useless shale is changed into a fuel. By placing the shale under enormous pressure a liquid fuel is extracted. This "fuel ale", as we will call it, has certain unique characteristics: it is not affected by changes in temperature, it burns slowly and gives off ten times as much energy per cubic centimeter

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As man becomes interested in space travel, the need increases for a liquid fuel that is not affected by drastic temperature changes and requires less storage space than conventional fuels. Large scale production of "fuel ale" begins. The shale piles are fenced and multi-million dollar processing plants are erected.

In ten years the increased research on fuels for space travel favor the so-called solid fuels. Production of "fuel ale" stops. The unused piles of inferior shale still dot the Pennsylvania landscape. There is talk about a new use for the shale piles. The shale could be crushed and used to form construction blocks for buildings in conjunction with the new solar heating units.

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*Recommended for Students Achieving Below Grade Level.

Questions for Inquiry and Discovery

1. Why is shale not considered a resource?
2. Why did "fuel ale" fail to become a resource at first?
3. What circumstances led to its becoming a major resource?
4. What part could human resources have possibly played in making shale a resource?
5. Once a resource has been developed how could it influence the development of human resources?
6. After you have thought carefully about the above passage and questions, write your own definition of what a natural resource is.

B. Using an historical case study to understand the role of the entrepreneur in the development of American industry.

Steel

Despite the discovery of the Bessemer process, the American steel industry did not develop overnight. The techniques were new and the risks were high. The demand for steel was there, but someone had to be willing to bear the risk, to sell the steel, and to raise the large amounts of necessary finance.

The Building of the Industry

In Andrew Carnegie the economy had such a person. Carnegie was particularly well suited to the task. His first job had been with the Pennsylvania Railroad and he well knew the railroads' need for a long-lived heavy-duty rail. Moreover, he had maintained close relations with many of the leaders of the industry. More recently he had been associated with a number of iron firms in the Pittsburgh area and with the Keystone Bridge Company. From the iron firms he learned something of heavy metal production problems and from the bridge company of the potential market for structural steel. In addition to his work experience, Carnegie possessed yet another talent that was to contribute to his success in the new steel industry. He was experienced in bringing together the finance needed to acquire large amounts of capital. He had launched both his iron enterprises and the Keystone Bridge Company by bringing together groups of strangers, each with some money to invest. Although the steel mill was larger than any of his previous ventures, the financial problem was really the same.

In 1872 Carnegie launched the Carnegie Steel Corporation. His first mill was the J. E. Thompson, and his first product was steel rails. Gradually he and his partners expanded their operations to include a number of new plants (some built, some acquired from less successful owners) and a full range of steel products.

Labor Problems

Problems of risk and capital acquisition were not the only ones that faced Carnegie. As his firm grew (and as other firms entered the industry and began to compete for workers) he found that he needed additional

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Labor Problems

Problems of risk and capital acquisition were not the only ones that faced Carnegie. As his firm grew (and as other firms entered the industry and began to compete for workers) he found that he needed additional laborers to man the mills. Because of the early technology of steel production (a technology that required two tons of coal for every ton of iron ore) the mills were located near the coal fields. As the industry grew there were insufficient workers in that area to meet the demand for labor. To some extent the new mills attempted to train people who migrated from nearby farms, but this was insufficient to meet the rising demand for steel. As a result, immigrants from abroad (first Germany and then from eastern Europe) were induced to come to Pittsburgh to man the blast furnaces.

Competition

Although Carnegie's remained the largest firm, others were quick to imitate his success. Within a few years National, American and a host of others had begun to produce steel by the new process. Because of the competitive threat of these new firms, Carnegie could not rest on his laurels. As a result both Carnegie and his competitors quickly innovated the open hearth furnace, which provided more control over the steel-making process. Within a few years the Bessemer furnace that had given birth to the industry was relegated to a secondary position. In 1872, when Carnegie started in business, the steel industry had produced only a few thousand tons. By 1887 production was almost 6 million tons, and at the turn of the century output had risen to almost 25 million tons.

The Birth of U. S. Steel

But the story of steel was not yet finished. The capital requirements, always large, had increased with the adoption of the open hearth techniques. Moreover, Carnegie and some of the industry's other leaders saw that even more financial resources would be needed to acquire iron and coal mines if the firm's source of supply were to be protected. John D. Rockefeller had gained control of a large portion of the Mesabi iron range in Minnesota and he showed the industry the value of its raw materials. Carnegie had been able to finance some of this additional investment, but many of the other firms could not. J. P. Morgan, the financier, saw in this shortage a chance to put together a single firm. It was to embrace all phases of production (mines, railroads, shipping lines, blast furnaces, steel mills, and fabricating plants) and produce not only rails and structural steel but wire, tubing, and the new alloys as well. Carnegie's retirement gave Morgan the chance to bring together not only Carnegie's holdings but also Rockefeller's iron mines, Federal Steel, American Steel and Wire, the Bessemer Steam Ship Company, National Steel, National Tube, American Bridge, American Sheet Steel, and a number of lesser companies. Thus the United States Steel Corporation was born. With this new giant in the field, the nation's output of steel continued to rise and by 1920 output had reached 60 million tons. Moreover, by that year new firms, including Bethlehem and Inland, although small by the standards of U. S. Steel, had risen to take part of the market from the dominant firm.

(From *The Growth of Industrial Enterprise*: 1860-1914, by Lance E. Davis, Scott, Foresman, and Curriculum Resources, Inc.)

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1. Why do you think Carnegie decided to manufacture steel rails rather than, say, paper clips or safety pins?

2. What risk was involved in his decision? Why?

3. What change in his decisions might have occurred if motor vehicles

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1. Why do you think Carnegie decided to manufacture steel rails rather than, say, paper clips or safety pins?

2. What risk was involved in his decision? Why?

3. What change in his decisions might have occurred if motor vehicles and air transport planes had been invented and developed in 1874? Why?

4. What special personal skills aided Carnegie in the development of his corporation? Why?

5. Carnegie said that he wanted his epitaph to read "Here lies the man who was able to surround himself with men far cleverer than himself." How did this ability add to his success?

6. What might have been the result if Carnegie had been unable to use immigrant labor? What alternative choices could he have made and still succeed in developing his business?

7. Why was Carnegie able to acquire capital to finance his steel company while others failed to get the necessary capital?

8. How did Carnegie as entrepreneur "lead, focus and channel human and physical resources" in the production of steel rails?

C. Using statistical tables to understand that the productivity of human resources depends on quantity and quality of the resources available.

Table I

Population According to Age
(millions of people)

Age (in years)	India, 1961(1)	United States, 1960(2)
Total Population	439*	181*
0-14	180	56
15-24	73	25
25-54	151	68
55-64	21	16
65 and Over	13	17

*Totals may not add up due to rounding.

Table II

Characteristics of the Population: Education and Health

Characteristics	India, 1961(1)	United States, 1960(2)
Number of infants that died before reaching the age of one	125 Per 1,000 Births	25 Per 1,000 Births
Age to which male baby can expect to live at the time he is born	42 Years Old	64 Years Old
Age to which female baby can expect to live at the time she is born	40 Years Old	70 Years Old
Per cent of adult population (14 years and over) that can read and write	24%	97.8%
Number of individuals over 14 years of age who can read and write	106 Million	122 Million
Number of students in school	44 Million	40 Million
Number of students in elementary school	40 Million	19 Million

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Number of students in high schools	3 Million	17 Million
Number of students in institutions of higher education	980 Thousand	3½ Million

Sources:
(1) India, A Reference Annual, 1964, compiled by the Ministry of Information and Broadcasting, (Delhi: Government of India, 1964).
(2) Statistical Abstract of the United States, 1965, compiled by the Bureau of Census, (Washington, D.C.: Government Printing Office, 1966).

Table III

Labor Characteristics of Population

Characteristics	India, 1961(1)	United States, 1960(2)
Number of people living in cities	79 Million	113 Million
Number of people living in rural area (towns, villages or farms)	360 Million	66 Million
Number of people employed in agricultural occupations	135 Million	4 Million
Number of people employed in non-agricultural occupations	29 Million	64 Million

Questions for Inquiry and Discovery

1. Does India or the United States have the largest number of human resources? How do you prove it?
2. Are all of these resources equally productive? Why?
3. How could each of the characteristics noted in Table II affect people's ability to produce?
4. In which country do you think the available human resources are likely to be most productive? Why?
5. How would the characteristics noted in Table III affect the amount of goods people are likely to produce?
6. What factors affect people's ability to produce goods and services?

Questions for Group Discussion

1. How do you think India's human resources might be made more productive? How would you go about accomplishing this?
2. How do you think our human resources might be made more productive? How would you go about accomplishing this?

Follow-up Activities

1. Teachers can reproduce the following graphs and charts to develop an understanding of the quality of human resources in the United States.

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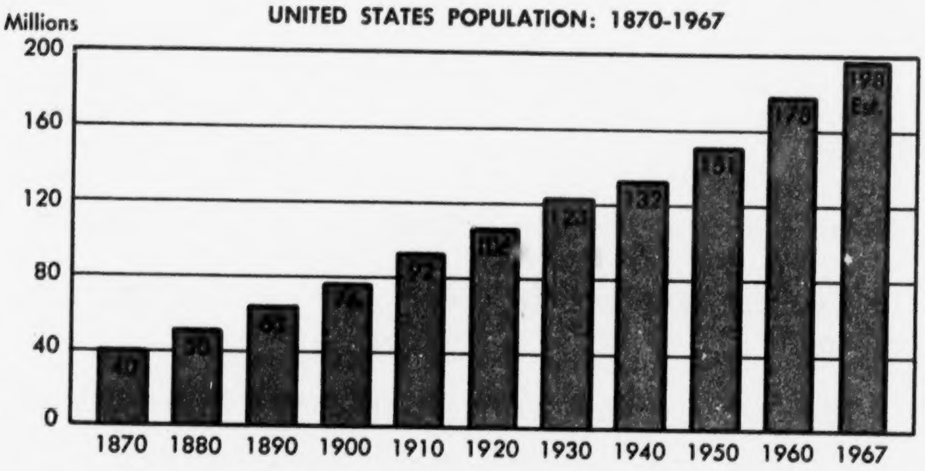

(From Comparative Economic Systems by John Coleman, Holt, Rinehart and Winston)

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II.

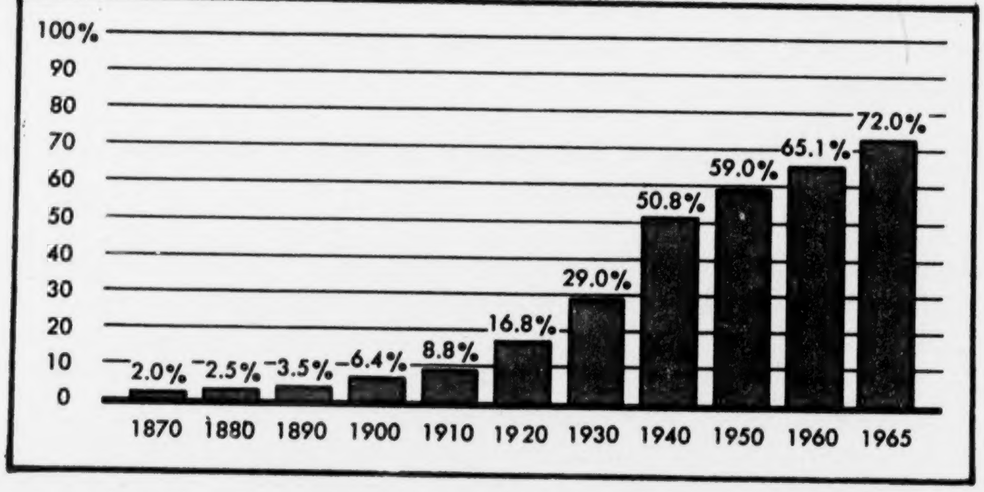
Selected World Health Statistics

	Life Expectancy (in years)	Number of deaths, per thousand, of infants under one year old
United States	66.6 (Male) 73.4 (Female) (1963)	25.2 (1963)
Canada	68.4 (Male) 74.2 (Female) (1960-62)	26.3 (1963)
El Salvador	44.7 (Male) 47.4 (Female) (1951-61)	65.5 (1964)
India	41.9 (Male) 40.6 (Female) (1951-60)	81.0 (1962)
Japan	67.2 (Male) 72.3 (Female) (1963)	20.4 (1964)
Czechoslovakia	67.2 (Male) 72.8 (Female) (1962)	21.1 (1964)
Sweden	71.3 (Male) 75.4 (Female) (1962)	13.6 (1964)
United Kingdom	68.0 (Male) 73.9 (Female) (1961-63)	20.0 (1964)

Source: Demographic Yearbook, 1964, pp. 550-57, 620-23. Copyright United Nations (New York, 1965). Reproduced by permission.

III.

Percentage of Seventeen-Year Olds Graduating from High School in U. S.



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Questions for Inquiry and Discovery

1. What can we infer about the United States population from Table I?

		under one year old
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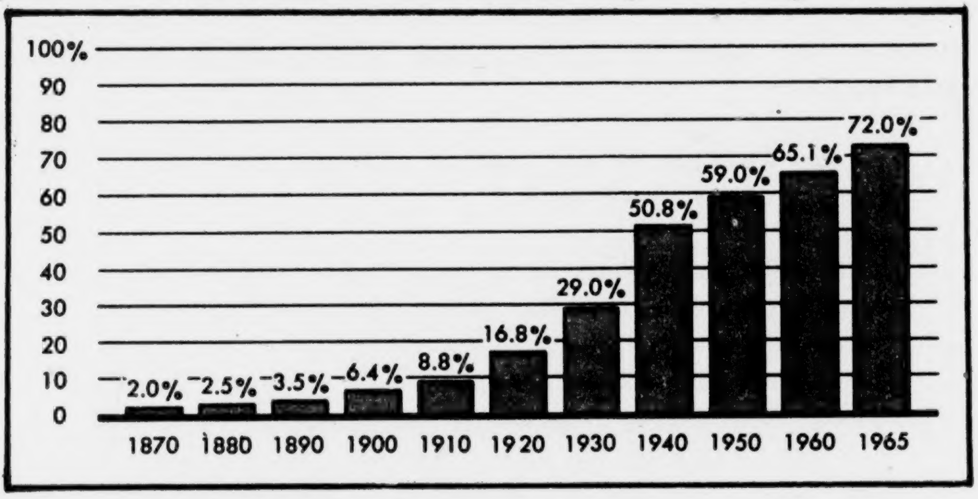

(From Comparative Economic Systems, John Coleman, Holt, Rinehart and Winston).

Questions for Inquiry and Discovery

1. What can we infer about the United States population from Table I?
2. How does Table II aid us in evaluating the quality of our human resources?
3. What other measures would you find useful?
4. What trend is shown in Table III?
5. What effect would it have on our nation's supply of human resources if every American went to college? What effect would it have on quality?

2. Use the following excerpts from United States historical documents to show how values and motivation play a significant role in the quality of our human resources.

From the Declaration of Independence, 1776:
We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are Life, Liberty and the pursuit of Happiness. That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed.

From the Thirteenth Amendment to the Constitution, 1865:
Neither slavery nor involuntary servitude, except as punishment for crime whereof the party shall have been duly convicted, shall exist within the United States, or any place subject to their jurisdiction.

From the Employment Act of 1946:
The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means...with the assistance and cooperation of industry, agriculture, labor, and State and local governments,...to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment, for those able, willing, and seeking to work.

From the Taft-Hartley Act, 1947:
Employees shall have the right to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing,...and shall also have the right to refrain from any or all such activities...

From the Elementary and Secondary Education Act of 1965:
In recognition of the special educational needs of children of low-income families and the impact that concentrations of low-income families have on the ability of local educational agencies to support adequate educational programs, the Congress hereby declares it to be the policy of the United States to provide assistance...to local educational agencies serving areas with concentrations of children from low-income families to expand and improve their educational programs by various means (including preschool programs) which contribute particularly to meeting the special educational needs of educationally deprived children.

1. How do the above documents affect individual initiative in the American economy?
2. What role does the government of the United States set for itself concerning the use of human resources?
3. How might the Elementary and Secondary Education Act of 1965 affect the future quality of human resources?
4. What new legislation would you prepare to improve our human resources?

3. Using graphs and charts to understand that resources change and have alternate uses.

The source for these statistics is the United States Bureau of the Census, Statistical Abstract of the United States: 1966 (Washington, D.C., 1966).

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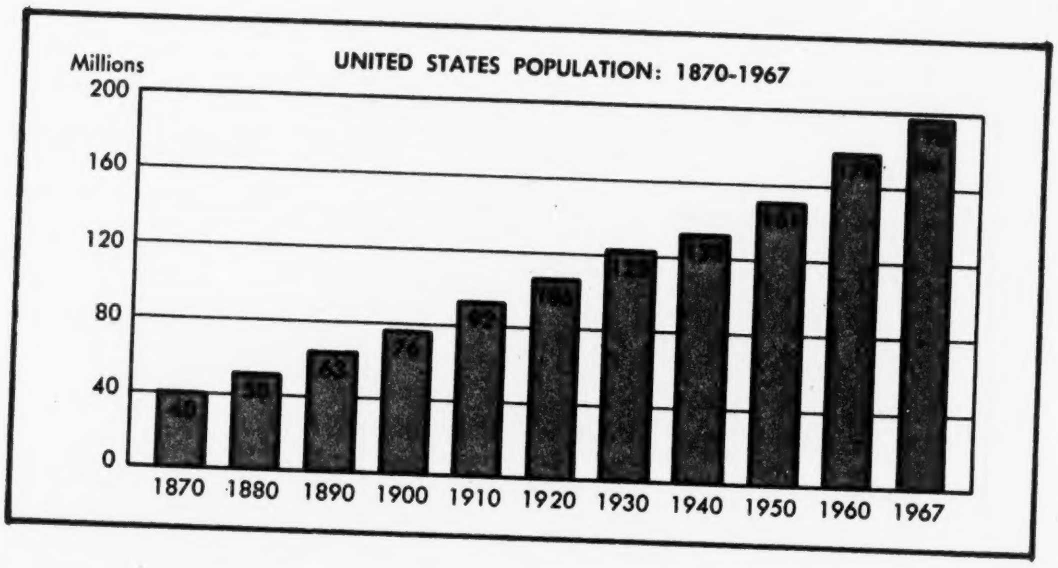

1. What has been the population trend in the United States? How has that trend affected the adequacy of our natural resources?

2. How can population trends tell us if our resource supply will adequately meet our future needs?

3. Relate some of the figures to other historical events. Why, for instance, did the population rise sharply between 1890 and 1910? Why did it rise slowly during the 1930's?

II.

Petroleum Products and Reserves
in the United States

Production		Proved Reserves	
1946-1950 (Average)	1,884	1950	25,268
1951-1955 (Average)	2,339	1955	30,012
1956-1960 (Average)	2,567	1960	31,613
1965	2,849	1965	31,352

(Figures given in millions of 42-gallon barrels. "Proved reserves" means petroleum that has been located but not yet extracted.)

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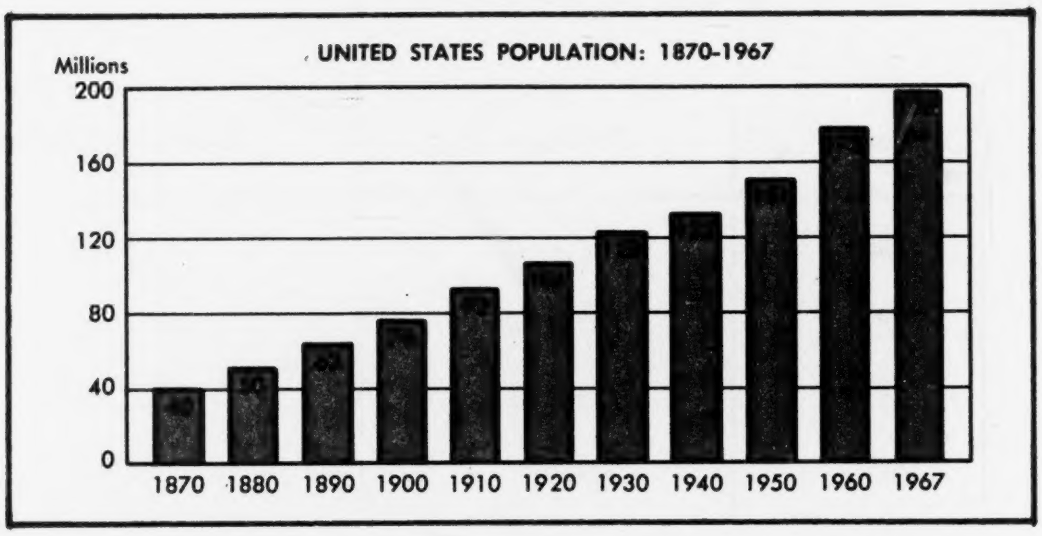

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1. Based on your knowledge of recent history and economic developments, give reasons for the steady rise in petroleum production since World War II.

2. How many times greater are the proved reserves than current production? What do you think the ratio of production to reserves would have been for the year 1492? What does this say about petroleum as a natural resource?

3. To estimate whether the United States will have enough petroleum in years to come, why must you have figures for population trends as well as figures for petroleum production and proved reserves? What other information would you need?

III.

Natural Gas Products and Reserves
in the United States

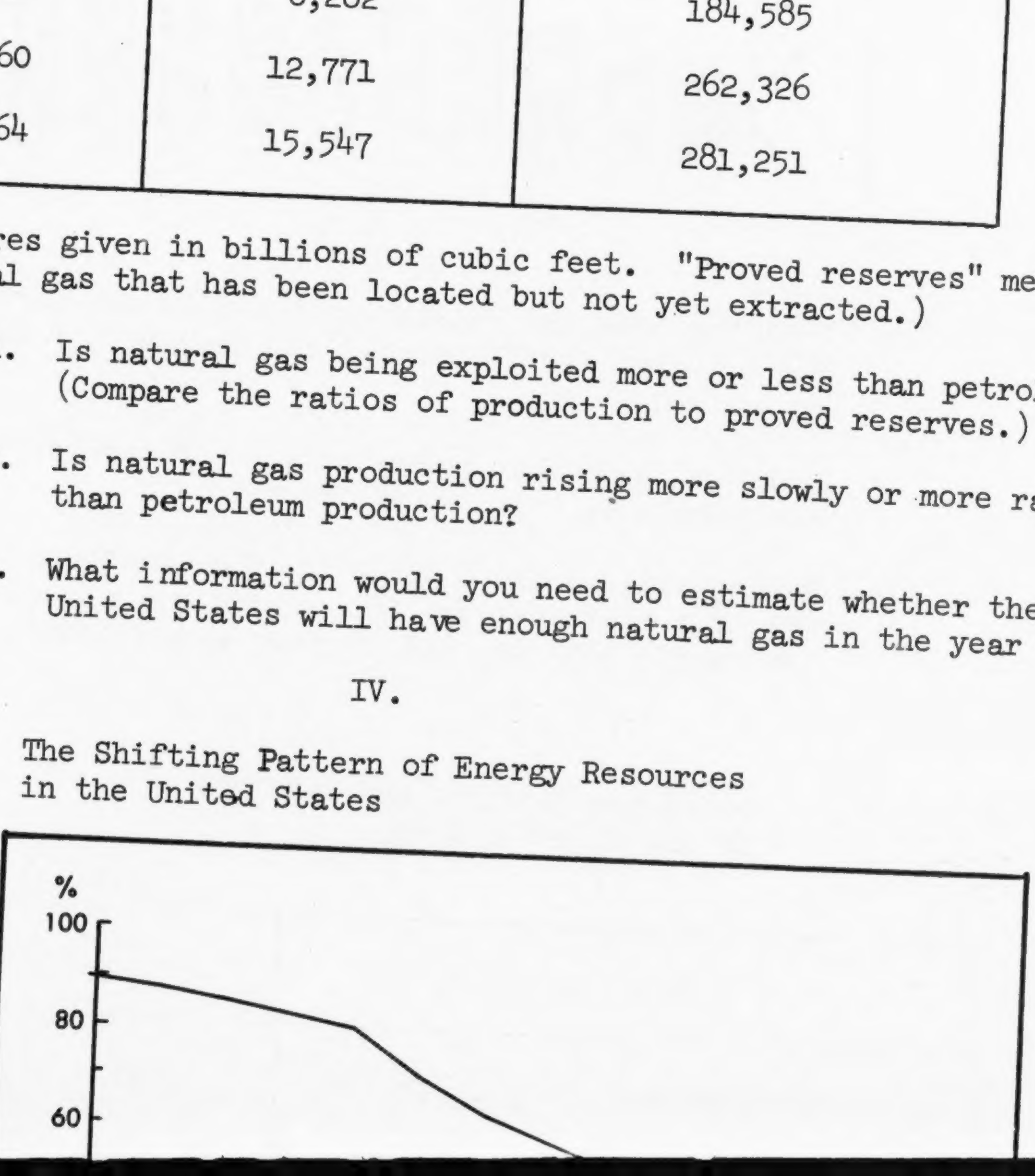
Year	Production	Proved Reserves
1940	2,660	85,000
1950	6,282	184,585
1960	12,771	262,326
1964	15,547	281,251

(Figures given in billions of cubic feet. "Proved reserves" means natural gas that has been located but not yet extracted.)

1. Is natural gas being exploited more or less than petroleum? (Compare the ratios of production to proved reserves.)
2. Is natural gas production rising more slowly or more rapidly than petroleum production?
3. What information would you need to estimate whether the United States will have enough natural gas in the year 2000?

IV.

The Shifting Pattern of Energy Resources
in the United States



III.

Natural Gas Products and Reserves in the United States

Year	Production	Proved Reserves
1940	2,660	85,000
1950	6,282	184,585
1960	12,771	262,326
1964	15,547	281,251

(Figures given in billions of cubic feet. "Proved reserves" means natural gas that has been located but not yet extracted.)

1. Is natural gas being exploited more or less than petroleum? (Compare the ratios of production to proved reserves.)

2. Is natural gas production rising more slowly or more rapidly than petroleum production?

3. What information would you need to estimate whether the United States will have enough natural gas in the year 2000?

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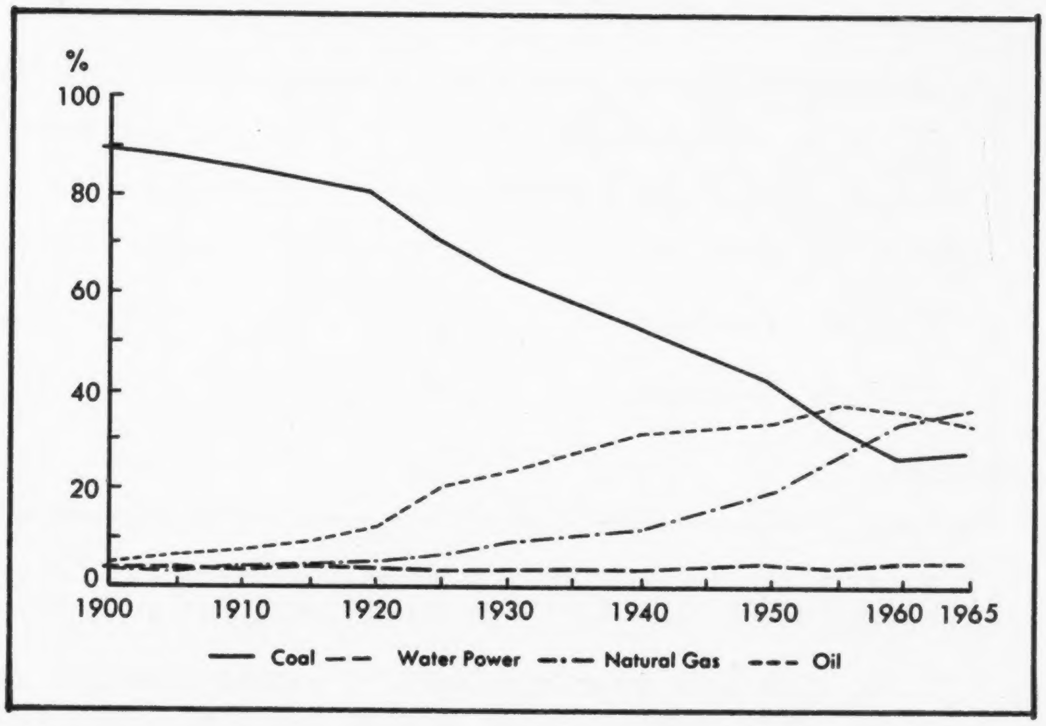

1. Which energy sources have been growing in importance? Which have been declining?

2. Does this graph tell you whether more or fewer tons of coal were consumed in 1964 than in 1900?

3. Give some possible reasons for the shifting pattern.

Individual Project

A student can be assigned to update the chart above and report on continuing or changing trends.

D. Using a magazine article to discover the dynamics of industrial development.

Capital and the American Coal Industry

Out of a miserable postwar past, bituminous coal is emerging into a future that is more competitive than ever--but also vastly more hopeful. Further, its prospects are well-grounded despite the amazing potential shown by two of the newer sources of power.

The most persuasive evidence of coal's fat future lies in the potential of its main customer--electric power. Short term and long, U.S. electric power and its demand for an energy source seem destined for tremendous growth. In energy transportation costs, coal seems to have better prospects than Canadian hydroelectric power; it also has several ways to compete with the "freight-free" atom.

The very nature of the utility market--huge demands to be met daily at very tight costs--specifies with almost brutal selectivity just who is to share in its future...

The transportation bind. Utility coal consumption has grown almost eight-fold in thirty years. Only fifteen years ago, it took several power plants to consume the production of a big new mine. Today, it frequently takes a new mine to supply one new power plant.

But coal's basic problem remained: it is solid, and expensive to transport compared with liquid, gaseous, electrical, or nuclear energy. So in taking advantage of its best market, the coal industry had to fight transportation costs.

Consol attacked that problem so vigorously that by 1957 it had a slurry pipeline* with a 1.2-million ton annual capacity operating between Cadiz, O., and Cleveland. The railroads brought that business back last spring with a 61¢ a-ton rate cut. Earlier, they had headed off a similar line to the Detroit area by cutting rates before the line was built....

Cutting the cost. The pressures within the industry are matched by the pressures outside it. The dropping price of nuclear power and the advent of extra high voltage electrical transmission may force coal to reduce its delivered cost by 20 per cent, if it is to remain competitive. Some steps have already been taken toward this....

One of a kind. Near Zanesville, O., Peabody operates the only machine of its kind--the push-button miner. This bizarre monster works in a strip mine, recovering coal too deep to strip but not recoverable by deep mining. A continuous boring head tunnels into an exposed seam, dragging behind it forty-three cars, each equipped with a conveyor. No miner accompanies the cutter underground. All controls from the outside. Peabody won't discuss its costs, but experts believe they are low.

The push-button miner now is being adapted by its maker, Joy Mfg.

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*Some coal is now shipped through pipelines in a soupy mixture called slurry.

Outlook. In 1947, coal production averaged 6.4 tons a man-day. Today in northern West Virginia, 26 tons a man-day is a good average. Joy's Pres. James M. Drain says confidently: "Within ten years, machinery will be available that will allow underground mines to produce as much as 70 tons of cleaned coal per shift per man on the payroll."

Over the next decade, Drain believes, there may be more reduction in the cost of producing a ton of coal than has been made since the end of World War II. If this is done, it will be truly remarkable. Since 1947, coal doubled its average hourly wages, and added a 40¢-a-ton royalty payment for medical care, and still cut the average price by almost 50¢ a ton....

(Business Week, February 1, 1964, pp. 90-93. Copyright 1964: McGraw-Hill, Inc. Reprinted by permission.)

Questions for Inquiry and Discovery

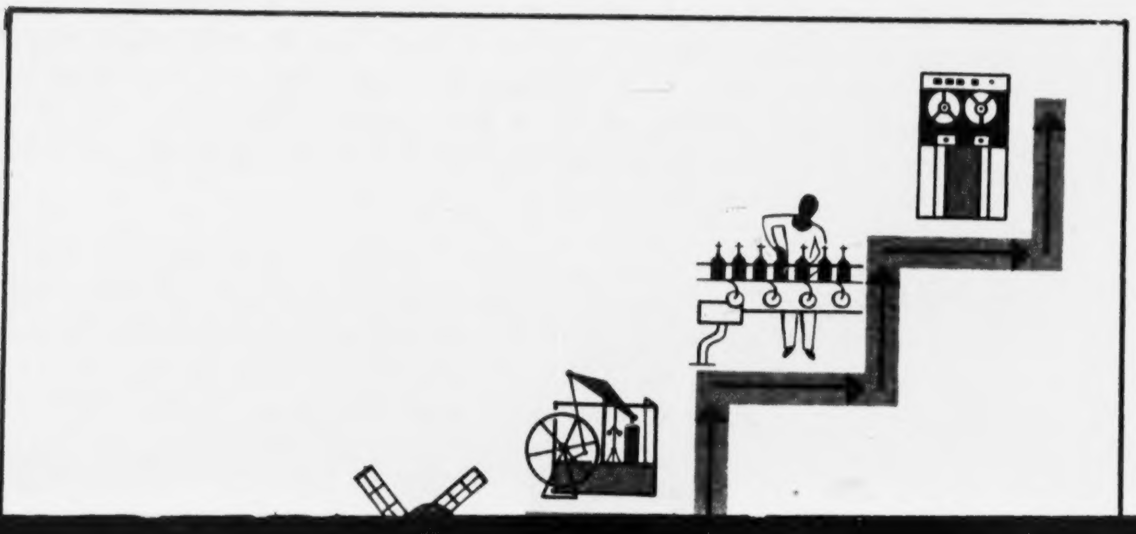
1. How did the coal industry meet the three conditions of know-how, adequate source of consumption goods, and incentive? What risks did the coal industry run in its new program?

2. What was the role of capital in reviving the coal industry? How have added capital goods affected the price of coal? the wages of miners? the profits of companies?

3. In exchange for higher wages, the United Mine Workers agreed to let the number of coal miners be reduced sharply. What might have happened if the union had refused to make that compromise?

Follow-up Activities

*1. Using a diagram to understand the concept of technological progress.



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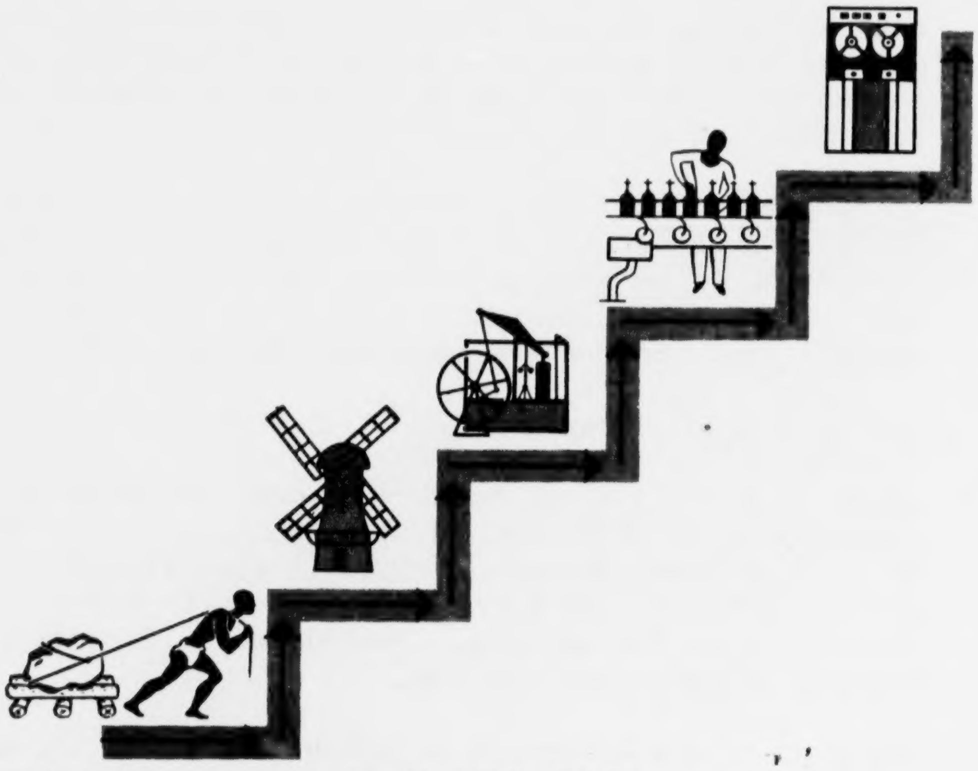

Technological progress is said to resemble a flight of stairs.
Source: Federal Reserve Bank of Philadelphia.

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*Recommended for Students Achieving Below Grade Level.

Questions for Inquiry and Discovery

1. Explain each step of the flight of stairs.
2. Why is each item pictured as a step up?
3. What changes were each of these developments able to bring to mankind?
4. What do you think will be the next step? Why?

2. Using charts to express the impact of technology in the United States.

Table I*

Index of Output Per Manhour
(Base Year, 1900 = 100)

Year	Output Per Manhour (Expressed in Index Numbers)
1900	100
1910	110
1920	129
1930	160
1940	202
1950	264
1955	303

*Source of Figures: Basic Facts on Productivity Change. Solomon Fabricant. New York: National Bureau of Economic Research, 1959.

Questions for Inquiry and Discovery

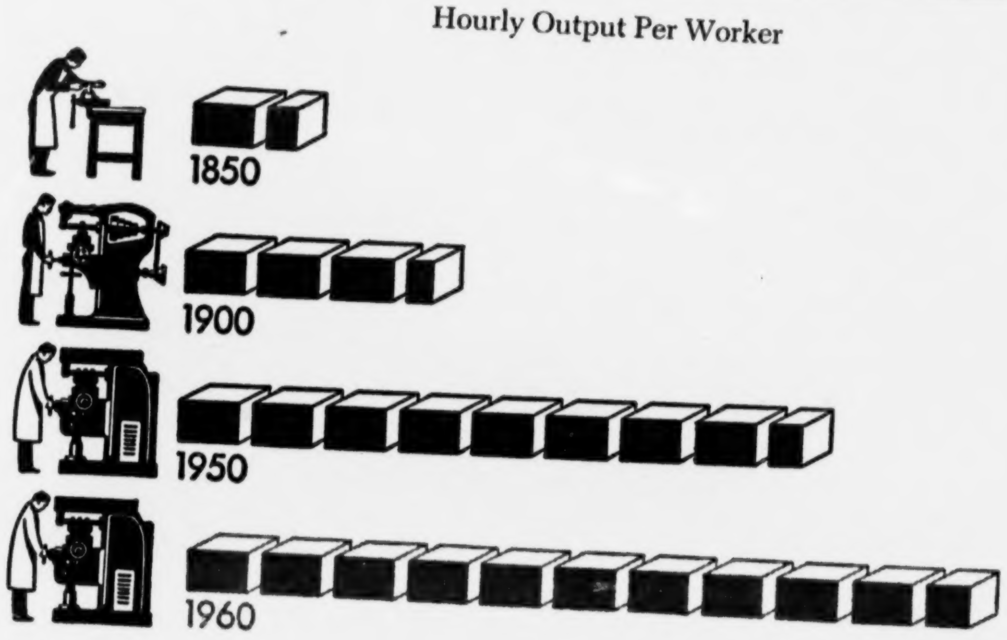
1. On the average, how many units of output did one man produce in a single hour in 1940? In 1950?
2. How much greater was output per manhour in 1955 than it had been in 1900?
3. Using the statistical information now available to you, how would you express the impact of technology on production in the United States during the first half of the twentieth century?

Follow-up

Students can research and use the 1970 index for productivity as the basis for a discussion of the following questions:

1. What has been the trend for output per manhour since 1955?
2. Have we been witnessing a "technological revolution" in the 1960's?
3. Can you foresee any problems that might hinder our increasing productivity?

3. Using graphs to illustrate America's increased productivity.



Each symbol represents 25 cents worth of output at 1954 prices

Reproduced from Twentieth Century Fund, *USA in New Dimensions*, The Macmillan Company; by permission.

Increasing productivity is the secret of our past achievements; it is our hope for the future. Higher output makes for higher wages, shorter hours, lower prices, and greater returns for owners and managers.

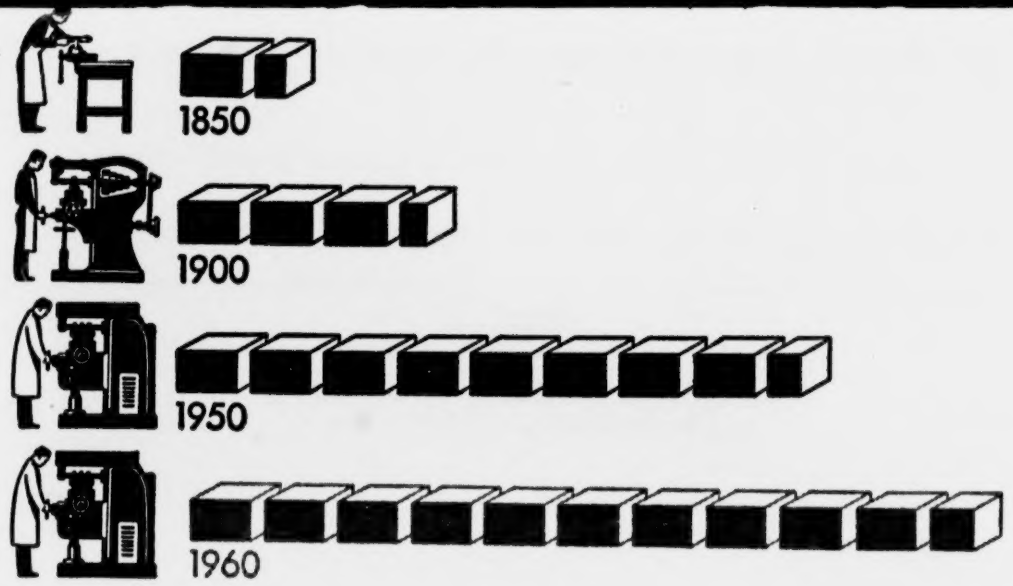
Questions for Inquiry and Discovery

1. What was the value of one hour's output in 1850? In 1960?
2. From the pictures of the men working, why did this increase occur?
3. What other reasons can account for this increase?
4. Why is it important for our economy to continue to increase its productivity?

**4. Individual Research

Students can show how government has played a role in the development of the railroad industry during the late 19th century. Some of the questions that can be developed are:

1. How can the attitude of government towards business affect its growth and development?
2. What role have government subsidy and research funds played in our industrial development?



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Industry Comes of Age: Business, Labor and Public Policy, 1860-1897, Edward C. Kirkland, Holt, Rinehart & Winston, 1961.

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**Recommended for Students Achieving Above Grade Level.

II. HOW DO BUSINESSES ORGANIZE AND DEVELOP?

Emphases: All forms of business enterprise have the element of risk.

The corporation has become the most dominant form of business enterprise in the American economy.

*A. Using comparative cases to understand the problems of going into business. Have students read the following cases and answer the questions that follow:

Case 1

Samuel Seward, age 35, has opened a clothing store. Sam studied merchandising and bookkeeping in high school. After graduation Sam took a job in a department store as a stock clerk in the men's clothing department. At the end of his second year he was promoted to the position of assistant to the buyer of men's clothing. Three years later Sam left the department store for a job as a salesman of men's clothing in a local store. He remained at this job until he opened his own store. During these years of work Sam managed to save $14,000.

Before the actual opening of the new business Sam was introduced to the manager of a branch of the Commercial Chemical Bank. Sam spoke to the bank manager for about fifteen minutes, telling about his plans, his earlier life, and his family. The manager showed special interest when Sam mentioned his intention of depositing $10,000 with the bank.

Case 2

John Irving, age 25, has opened a clothing store. While in high school John learned to type. Upon being graduated, John went to work in a candy store. His decision to go into the clothing business resulted from his feeling that the candy store hours were too long and the work unexciting; moreover, he decided that he wasn't getting anywhere in his job.

John saved $4,000 while working in the candy store. He borrowed $3,000 from an uncle in order to get started. About $5,000 of this capital was invested in inventory, with emphasis on Edwardian sport jackets.

Questions for Inquiry and Discovery

1. What is meant by each of the following terms: inventory, capital, merchandising, department store buyer, and deposit?

2. Why was Sam anxious to have a talk with the bank manager? Why was the bank manager so interested?

3. Which of the two men is more likely to succeed in the men's clothing business? Why?

4. What factors might cause the results for each of these men to be just the opposite of what you expect? Explain.

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*Recommended for Students Achieving Below Grade Level.

Follow-up Activities

*1. Use a chart to aid students in organizing information about forms of business enterprise.

Ways of Doing Business Under Private Enterprise

	Unincorporated Firms		Incorporated Firms	
	Single Owner	Partnership	Corporation	Cooperative
How was it formed?				
Who owns it?				
Who controls and manages it?				
What happens to profits and losses?				
How is the business terminated?				

Questions for Inquiry and Discovery

1. What do unincorporated businesses have in common?
2. What do incorporated businesses have in common?
3. Which form of business organization would be best suited for a clothing store? An automobile showroom? A supermarket?

**2. Use a case study to develop an understanding about how business organizes and operates.

The Dennison Manufacturing Company

By 1844, Andrew Dennison, a shoemaker of Brunswick, Maine, was experiencing the difficulty of competing successfully in a rapidly changing American economy. Like cobblers for centuries before him, he made shoes in his own shop. He would measure the foot size of a customer, then cut and stitch the leather by hand to fit each person's foot....

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Near Boston, shoemakers had long since begun to specialize. If several men worked together, each making a particular part of the shoe, shoes could be produced more quickly and cheaply. By adopting standard shoe sizes in a range of widths and lengths, people could make shoes in one place to be shipped to others. A customer could buy ready-made shoes less expensively than he could have a cobbler make him a pair.

Andrew Dennison could not compete with these mass-produced shoes, and looked about for a better way of earning a living. Andrew's two sons had moved to Boston to engage in the jewelry business.

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Andrew was persuaded to set up manufacturing of jewelry boxes. To establish a price for his boxes, he added up his total cost for materials, wages, and transportation. Then he added 20 per cent to this cost which he would keep for himself. His son, Aason, sold the boxes to jewelers in Boston and New York...By persuading the stores to settle for a limited variety of boxes, he cut his producing costs.

Andrew's second son, Eliphalet, recognized markets for other products similar to boxes. He was anxious to expand the business by diversifying, or manufacturing other products he was sure would sell. Soon the Dennisons hired neighbors to help, and were selling cards, fine cotton, tissue paper, and tags. They purchased their supplies in even larger quantities. Many of the new growing businesses in the United States found it cheaper to buy boxes and tags from Dennison, who specialized in their production, than to make their own as a sideline activity, as they traditionally had done.

The location of the Dennison business in Brunswick, Maine, was far from major markets. Delays in transportation by wagon over the poor New England roads occasionally caused loss of orders.

In 1855, Andrew Dennison agreed to sell the business to his son so that he could move it to Boston.

In 1858, Eliphalet added merchandise tags to his list of products. These were large tags for addresses or prices, with strings to tie them to packages or other articles for shipping. After eyes for the string were cut by machines, the tags were sent out to families who tied the strings to the tags. To expand his market, Eliphalet bought the business of a New York tag importer. Now he could sell tags to those companies that had previously bought from the New York company as well as to his customers. Tags quickly became one of the most important products of the company, more important by far than the original jewelry boxes.

The Dennison Manufacturing Company grew rapidly, and as the company expanded, its profits increased. During both 1863 and 1864, profits came to almost 125 percent return, or earnings, on capital invested in the company.

These large profits in the early stages of the business were used for dividends and for expansion. Each of the persons who had supplied some of the money invested either in the original company or in later expansions received a yearly dividend. Some of the profit, however, was used for expansion. Equipment for manufacturing larger boxes, gummed labels, and sealing wax was added. Branch offices to expend sales were established in Philadelphia, Chicago, Cincinnati, and St. Louis.

In 1863, after Eliphalet had been the individual proprietor for a while, he wanted to expand the business. He needed a larger inventory, or supply of merchandise on hand, so that he could fill orders as fast as they arrived. He also wanted to move to larger quarters and increase production and sales. All of these things required money. Therefore, Eliphalet took on three partners who supplied the needed capital and became part owners of the firm. Among them they contributed $8,000 to Eliphalet's business, which had an estimated value of about $15,000. The partnership agreement stated that each partner would receive dividends and have a voice in th stores to settle for a limited variety of boxes, he cut his producing costs.

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Originally family members worked under the direction of the father. Later a few neighbors were hifed. Hours were informal.

As the business continued to grow, however, the roster of employees grew so long that one manager could not possibly know them all. Discipline became a matter of rules rather than of personal relationships.

In 1878 the growing company changed from a partnership to a far more complicated legal organization known as a corporation. The value of the original capital put into the business at the time of incorporating was $150,000. Eliphalet Dennison and his son owned two thirds of the company, and Metcalf, one of the original partners, held the remaining third.

Between the Civil War and World War I, the Dennison Manufacturing Company met serious competition for the first time. The patent on Eliphalet's merchandising tag ran out in 1880, and competitors started copying it freely. Dennison was forced to cut its prices by 12 percent. Competition also forced the company to cut gummed label prices from 75 cents to 50 cents per carton. During this period, salesmen were frequently given the right to adjust prices themselves to obtain orders. In its effort to control the market for its products, Dennison bought out some of its competitors, advertised its wares, invented new products to meet new demands, and developed new methods of marketing.

Advertising was also used to meet growing competition. When a consumer thought of tags, Dennison wanted him to think of Dennison tags. To this end the company bought advertisements in city and town directories. To appeal to home consumers, it advertised in popular magazines like The Ladies' Home Journal and The Youth's Companion. In 1893 it established a booth at the Chicago World's Fair to display Dennison Products.

As the way of life in country changed, the Dennison Company tried to invent new products that would appeal to consumers. New styles of jewelry boxes and cases were introduced. Merchandise was made available in greater variety of colors. Glues and pastes were added to Dennison's list of products. Paper napkins proved very profitable. A pamphlet, "The Art of Sealing a Letter," was circulated to stimulate sale of sealing wax. Demonstrators were sent to retail stores to give instructions on how to make such things as paper flowers and window decorations out of crepe paper.

Meanwhile, Dennison attempted to cut its costs by increasing efficiency in marketing. By 1890, increased advertising had so associated the name of Dennison with paper products that now it was able to send its own salesmen out to deal directly with the businesses, manufacturers and retailers who used Dennison products. Regular sales districts were set up so that salesmen came to know both the area and their customers personally.

Production costs were carefully watched. The price set on merchandise had to reflect the pressures of competition. But the company had to look at its costs

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Production costs were carefully watched. The price set on merchandise had to reflect the pressures of competition. But the company had to look at its costs of production and its need for profits to see if it could afford to sell at competitive prices. If its costs were too high to permit competitive pricing, either those costs had to be lowered or they had to get out of that product line.

Heavy sales at the turn of the century put a strain on the whole management to continue at high volume of production. For the first time in many years, new equipment was developed or purchases to speed production of shipping tags and boxes. Although the substitution of machinery for hand processes was expensive at first, the company had to make the changeover in order to assure future productive efficiency and future profit.

In 1901 an outside expert suggested that production could be made more efficient by the establishment of new departments to control inventories of raw materials and of finished goods. The raw materials department tried to keep supplies steady. Excess stock of any one material tied up the company's money where it was not needed. On the other hand, to run out of a material could stop production altogether. The finished products department made sure that the merchandise inventory in the warehouse was sufficient to supply branches and salesmen. By determining what items were in demand at the prevailing prices, it could tell the factory what products and how much were currently needed.

Another way in which the Dennison Manufacturing Company met competition and cut production costs was by reorganizing the company so that all of the different departments worked smoothly together. In 1906 six merchandising committees were established, one for each of Dennison's six lines: tags, jewelers' items, adhesives, crepe, Christmas items, and consumer goods (items sold directly for home use). Each committee consisted of men from three categories: salesmen concerned with markets and competition; producers concerned with methods and costs of production; and directors concerned with long-term expansion and profit. By 1911 the committee chairmen, located in Framingham, were devoting full time to coordinating all facets of the business.

These merchandising committees set up lines of communication which made further expansion of the company possible. In the 1920's, a period of general prosperity in the country, Dennison increased production facilities by opening a box factory near Marlboro, Massachusetts. It established Dennison Companies in Canada and England to sell products throughout the British Empire. The company also began to export merchandise, setting up sales offices in South America and Europe. In 1929 it formed a special research department to develop new products and methods. From a small family firm, Dennison had grown into an international corporation.

(Adapted from Case Studies in Business History and Economic Concepts. R. W. Hidy and P. D. Cawein. Boston: D.C. Heath, 1967.)

Questions for Inquiry and Discovery

1. What influenced the managers of the company to make the products they did at each stage of the company's development? What role did competition play in their decisions?

2. What influenced the company's decisions about how to produce its products? What role did competition play in these decisions?

3. Why did Eliphalet Dennison decide to invite partners into his business? What were the advantages and disadvantages of a partnership compared to an individual proprietorship?

4. Why did the Dennison Company incorporate? What role did competition play in this decision?

5. How would Dennison's managers have been better off if they could have driven their competitors out of business or agreed with them to establish a high price for similar products? Would their customers have benefited from either or these products?

Follow-up Activities

Students can form committees to prepare a case study of an industry or business. Sufficient time should be provided for research, analysis and presentation of materials.

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Follow-up Activities

Students can form committees to prepare a case study of an industry or business. Sufficient time should be provided for research, analysis and presentation of materials.

1. A particular industry (such as automobile, steel, electronics, or aviation).

2. A particular giant corporation (such as Du Pont, General Motors, Standard Oil, Firestone, or U.S. Steel).

3. A particular small business of which you have first-hand information, perhaps through your father, or because you are employed there (such as a pharmacy, a grocery, a stationery store, or a gas station).

4. An imaginary business which you discuss as though it were an actual business. (Any small business would appropriate for this purpose).

Students should include as many items below that are relevant:

1. History of the case
2. Present situation (profitable or not?)
3. Method of financing
4. Labor policies
5. Competition
6. Advertising policies
7. Pricing
8. Plant (location and size)
9. Ownership and control
10. Plans for the future
11. Any other information you find important

3. Teachers can use the filmstrip The Role of Capital Investment which is part of the United States Economy in Action Series of the Joint Council on Economic Education.

Questions for Inquiry and Discovery

1. How can we account for economic growth in countries that do not have an abundance of raw materials?
2. What are the forms that capital takes? Why is it important that all forms grow together? Why?
3. "Those who make decisions to acquire new capital are in most cases not the same people who make decisions to save money." Explain this statement. Is this statement applicable to corporations with retained earnings?
4. What factors influence business decisions to invest? What role does interest rates play?

*4 A class trip to

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*4. A class trip to a sizable business which converts raw materials to finished products and then distributes the output can be arranged. Management can point out sources of materials and effect upon production of consumer demand. Students can look for evidence of government interference or regulation. The New York City Council on Economic Education can be helpful in this area. New York At Work, a publication of the New York City council on Economic Education and The Business and Education Council of New York, will be helpful for this activity.

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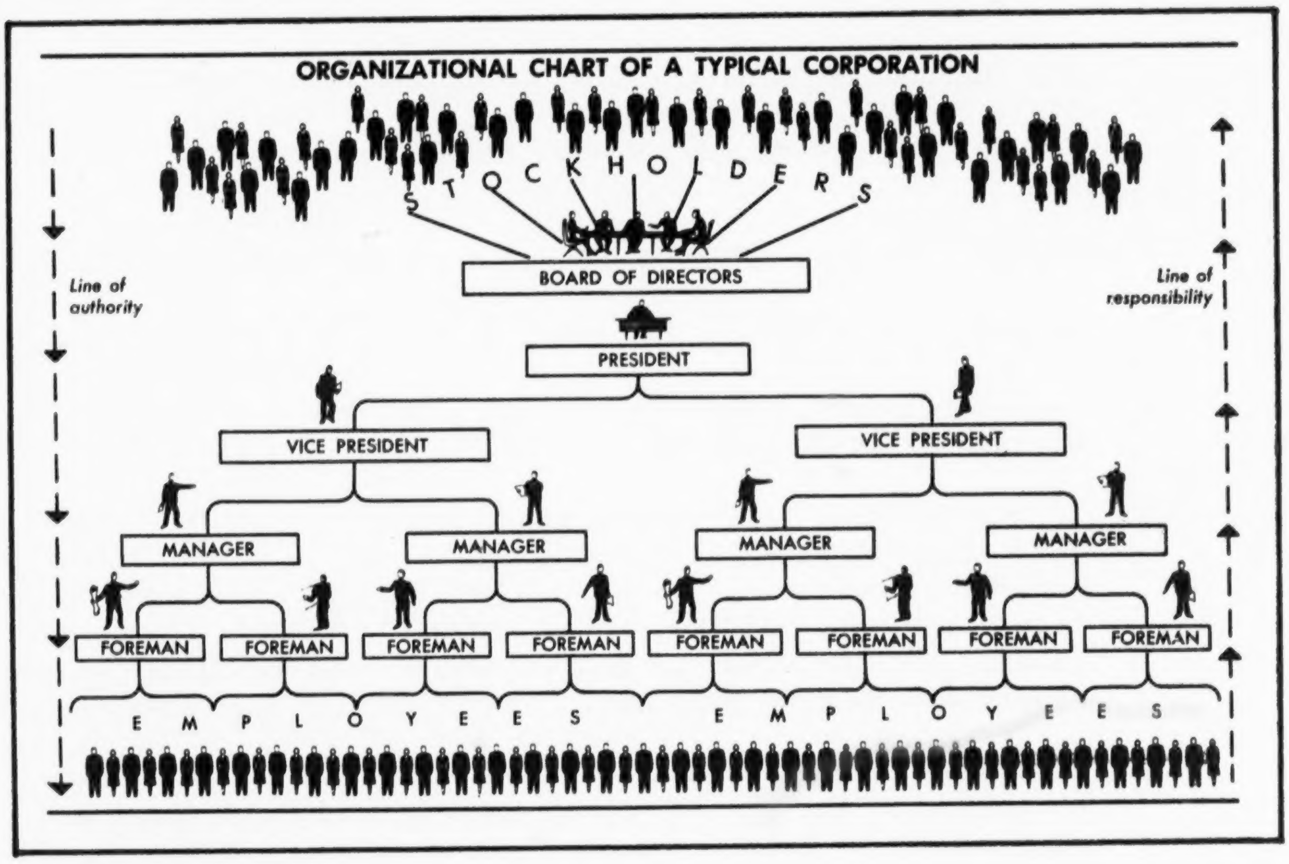
*Recommended for Students Achieving Below Grade Level.

B. Using an organizational chart to understand the structure of the modern corporation.


ORGANIZATIONAL CHART OF A TYPICAL CORPORATION
STOCKHOLDERS
BOARD OF DIRECTORS
Line of authority
Line of responsibility
PRESIDENT
VICE PRESIDENT
VICE PRESIDENT
MANAGER
MANAGER
MANAGER
MANAGER
FOREMAN
FOREMAN
FOREMAN
FOREMAN
FOREMAN
FOREMAN
FOREMAN
FOREMAN
EMPLOYEES
EMPLOYEES

(From Understanding Our Economy. Mortenson, et al., Houghton Mifflin.)

Questions for Inquiry and Discovery

1. What is the role of each level of organization?

2. What is meant by "line of authority" and "line of responsibility?"

3. What is the relationship between the workers in this corporation and the owners? The owners and management?

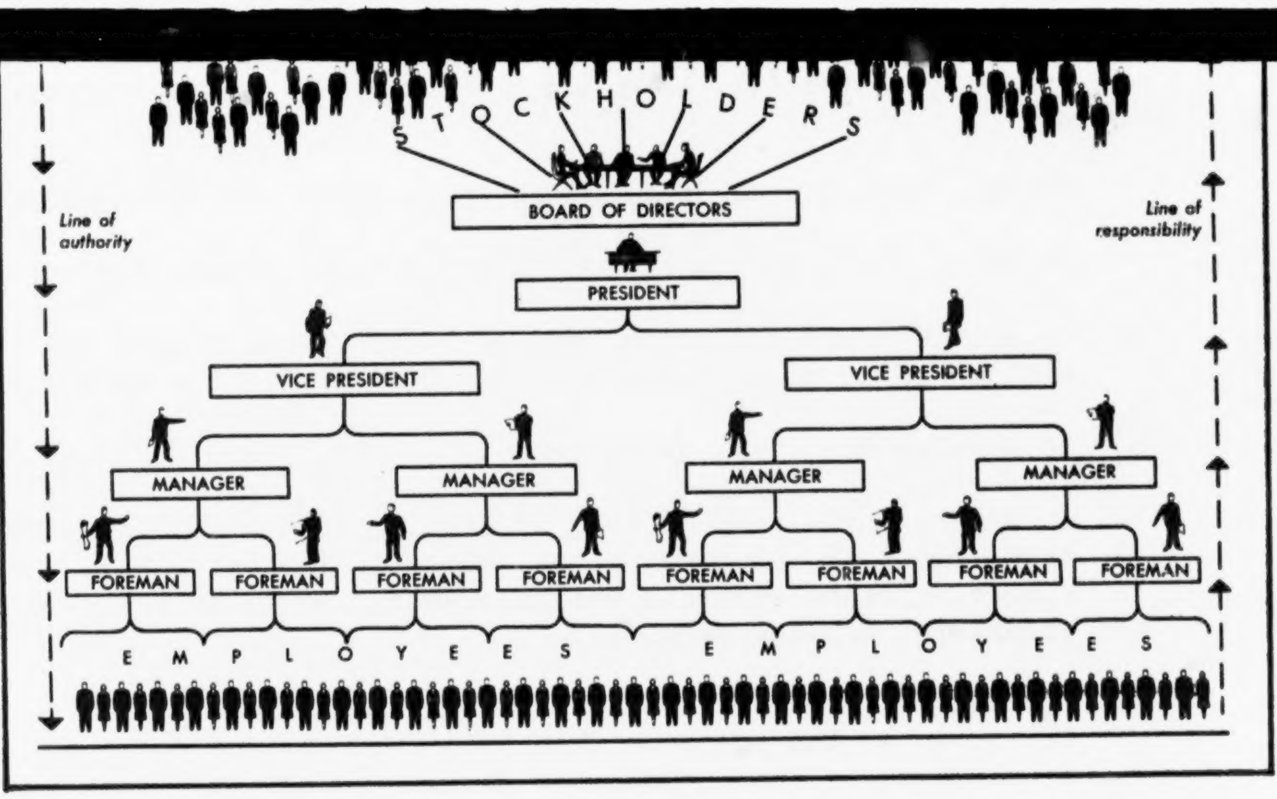
4. Do you think this is an efficient way to organize a business? Explain.

Follow-up Activities

1. The class can organize a corporation.

Each member of the class will play a different role. A "lawyer" should be appointed to help with the legal problems in getting the corporation started. A charter should be written. Stock certificates should be made. The teacher can display a prospectus for a new security issue to the class and advertisements of new security issues in the newspapers, (i.e., a camping corporation can be organized.) In order to promote sales of the stock to the class, samples may be passed out. The teacher may also show the class corporation annual reports and notices of the annual meeting with the proxy.

Corporations increasingly are putting out more descriptive and informative and less technical annual reports. A bulletin board display of reports, a prospectus, a notice of an annual meeting, a proxy, can be prepared. Students can act as members of the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Material for interpretation and discussion can be distributed. An example follows:

CERTIFICATE OF INCORPORATION -- XYZ HOLDING COMPANY, INC.
Pursuant to Article Two of the Stock Corporation Law

We, the undersigned, desiring to form a stock corporation pursuant to Article Two of the Stock Corporation Law of the State of New York, do hereby make, subscribe, acknowledge and file this certificate for that purpose:

FIRST: The name of the proposed corporation is XYZ HOLDING COMPANY, INC.

SECOND: The purposes for which it is to be formed are as follows:

(a) To maintain and operate a camp or other summer resort for children and adults and to do any and all things in connection with such operation.

(b) To manufacture, buy, sell, import, export, trade and deal in camp outfits, camping supplies and camping materials of all kinds and nature, including tents, tent poles, cordage, canvas coverings of every description, blankets, bedding, cots, hammocks, tables, chairs and stools, tent floors, cooking utensils and tableware, including all accessories necessary for camping purposes.

(c) To engage in the business of furnishing amusement, entertainment and diversion to the public either indoors or out of doors and to that end, to purchase or lease amusement parks, outdoor theatres, indoor theatres, motion picture theatres and other places, and to manage and conduct the same as places of public amusement and diversion, and to grant concessions to individuals, companies or corporations to conduct businesses for amusement or entertainment of the public or in conjunction with the operation of a camp, inn or hotel.

(d) To purchase, improve, develop, hold and enjoy real estate, and to lease, mortgage and sell the same in such parts or parcels, improved or unimproved and on such terms as to time and manner of payment as may be agreed upon.

(e) To purchase, lease or otherwise, acquire, in whole or in part, the business, good will, rights, franchises, and property of every kind, and to undertake the whole or any part of the assets or liabilities of any person, firm, association or corporation engaged in or authorized to conduct any business similar to any business authorized to be conducted by this corporation, and to pay for the same in cash, in the stocks or bonds of this company, or otherwise; to hold or in any manner dispose of the whole or any part of the business or property so acquired, and to exercise all the powers necessary or incidental to the conduct of such business.

THIRD: The amount of the Capital Stock is FIVE THOUSAND ($5,000.00) DOLLARS, consisting of One hundred (100) shares of the par value of FIFTY ($50.00) DOLLARS, per share.

FOURTH: The office of the corporation is to be located in the Borough of Manhattan, County and State of New York.

FIFTH: The duration of the corporation shall be perpetual hereby make, subscribe, acknowledge and file this certificate for that purpose:

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SIXTH: The number of directors shall be not less than three and not more than ten. It is hereby stated, pursuant to law, that directors of the corporation need not be stockholders.

SEVENTH: The names and post office addresses of the directors until the first annual meeting of the stockholders are as follows:

Name	Post Office Address
Jacob Smith	270 Broadway, Manhattan, New York City
Frances Wheeler	270 Broadway, Manhattan, New York City
Ezra Trimble	270 Broadway, Manhattan, New York City

EIGHTH: The names and post office addresses of each subscriber to this Certificate of Incorporation, and the number of shares of stock which each agree to take, are as follows:

Name	Post Office Address	No. Shares
Jacob Smith	270 Broadway, Manhattan, N.Y. City	98
Frances Wheeler	270 Broadway, Manhattan, N.Y. City	1
Ezra Trimble	270 Broadway, Manhattan, N.Y. City	1

NINTH: It is provided that all elections of directors of this corporation each stockholder shall be entitled to as many votes as shall equal the number of his shares of stock multiplied by the number of directors to be elected and that he or she may cast all such votes for a single director or may distribute them among the number to be voted for, or any two or more of them as he or she may see fit.

TENTH: By-Laws providing for the management and the control of the affairs of the corporation may be adopted by the directors. Said By-Laws may be later repealed or amended by the directors as they may deem wise and expedient.

ELEVENTH: That all the subscribers of this certificate are of full age, that at least two-thirds of them are citizens of the United States, and that at least one of them is a resident of the State of New York, and that at least one of the persons named as directors is a citizen of the United States and a resident of the State of New York.

TWELFTH: Meetings of the Board of Directors are to be held within the State of New York.

THIRTEENTH: The Secretary of State of the State of New York is hereby designated as the agent for the corporation upon whom process in any action or proceeding against said Corporation may be served. The address to which the Secretary of State shall mail a copy of process in any action or proceeding against the corporation, which may be served upon him, is in care of SAMUEL JONES, ESQ., Attorney at Law, 270 Broadway, Borough of Manhattan, City and State of New York.

IN WITNESS THEREOF, the subscribers have made, subscribed, acknowledged and filed this Certificate this 21st day of March, 1969.

In the presence of

(signed) Don Doolittle

(signed) Jacob Smith

(signed) Frances Wheeler

(signed) Ezra Trimble

STATE OF NEW YORK)
CITY OF NEW YORK) SS.
COUNTY OF NEW YORK)

On this 21st day of March, 1969, before me personally appeared, Jacob Smith, Frances Wheeler, and Ezra Trimble, known to me to be the individuals described in and who executed the foregoing Certificate of Incorporation, and they duly and severally acknowledged to me that they executed the same.

(signed) Samuel Jones
Notary Public Kings County

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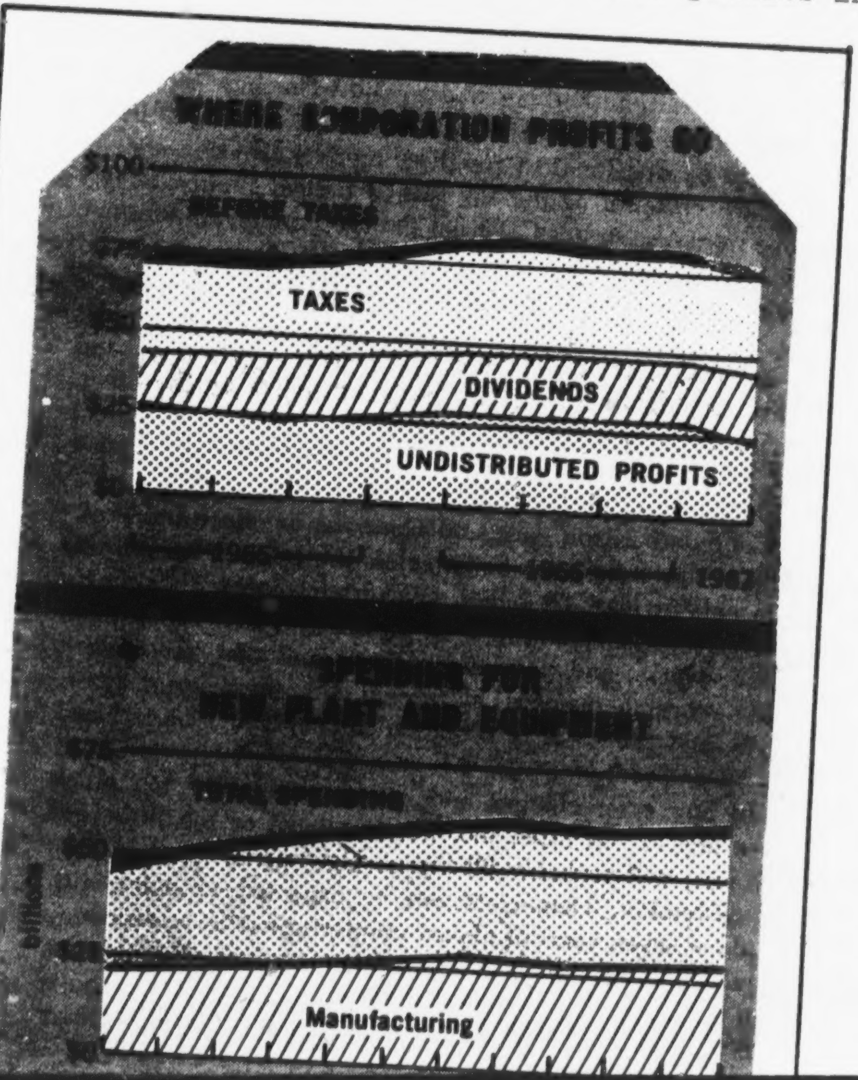
Kings Co. Clk's No. 578 Reg. No. 1339
N.Y. Co. Clk's No. 857 Reg. No. 1F518
Commission expires March 30, 1971

2. Show the sound filmstrip The Corporation, (Guidance Associates/ Harcourt, Brace & World.)

   Questions for Discussion

   1. How are modern business managers different from the old "captains of industry?"
   2. How did the growth of corporations affect life in America?
   3. Why does Mr. Giblin say it is not altruism when a company takes action on social problems today? Do you agree?
   4. Do you think corporations should help to solve community problems?

3. Interpreting graphs to determine the role of profits in our economy.



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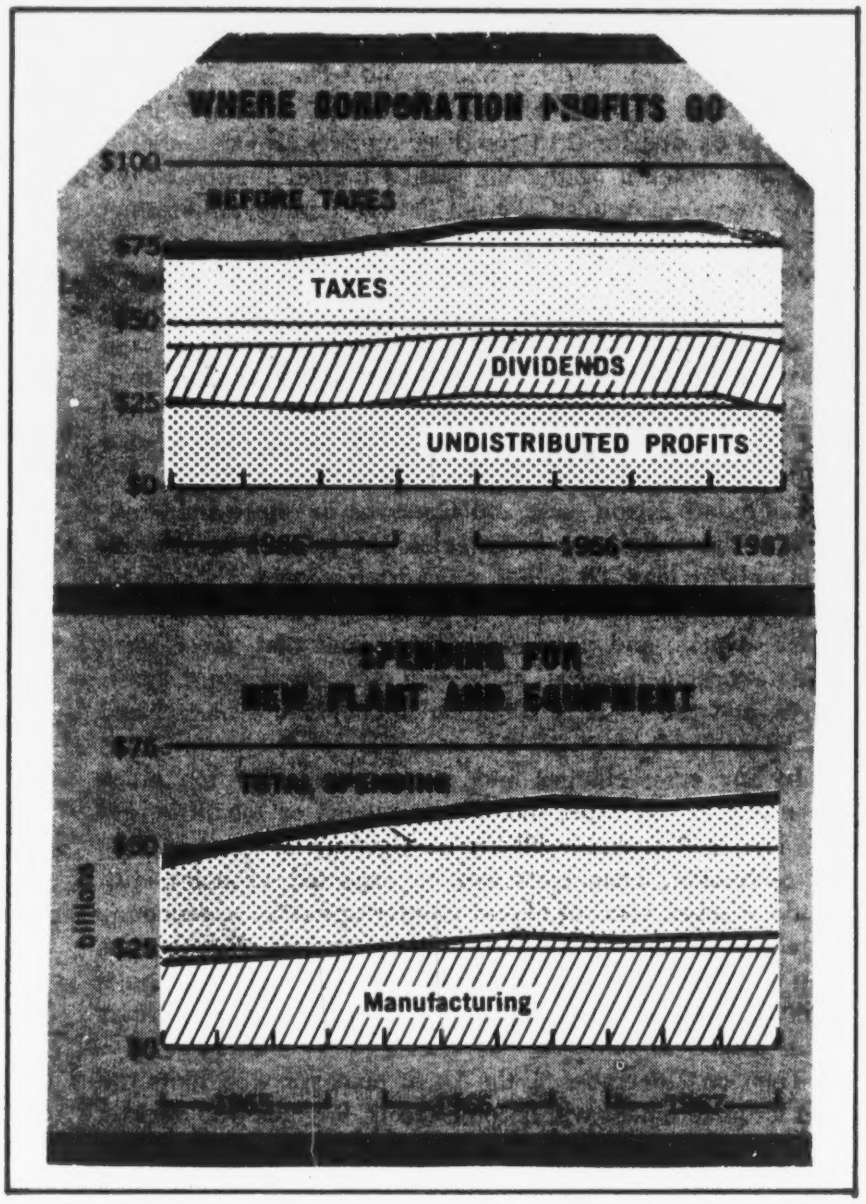

(From Newsweek, December 19, 1966, p. 14.)

Questions for Inquiry and Discovery

1. How are corporate profits used?

2. What are dividends? What are undistributed corporate profits?

3. What is the relationship between reinvested profits and increased production?

4. Using role playing to learn about the operation of the stock market.

Students in the class can be given a fictitious sum of money, i.e., $1,000 which they can invest in stocks of their own choosing. The students select objectives and then study industries and companies in which they will make their investment.

Some students may serve as brokers who handle the buying and selling of the stocks and keep records of the class purchases and sales.

As an aid, teachers may wish to make use of a free portfolio of materials prepared by the New York Stock Exchange to accompany their publication You and Your Investment World.

Follow-up Activities

1. Students can report to the class on sources of information for wise investing.

2. A summary chart of the procedures of buying stock and the operation of the exchange can be placed on a bulletin board.

3. Students can be asked to analyze economic and non-economic reasons for the price fluctuation of their shares.

4. The class can view and analyze the daily stock reports on Channel 9 TV.

III. WHAT IS THE ROLE OF BIG BUSINESS IN THE AMERICAN ECONOMY?

Emphases: The profit motive has led to the development of mass production and big business.

The role of government in our economy has expanded to protect the consumer from some practices of big business.

*A. Using a biography to understand the role of profits and mass production.

Henry Ford is a classic example of a man who was able to take full advantage of market conditions and build a vast economic empire. The following account can be used to show how business profits were used to further the growth of the Ford Company:

> ...What he wanted was the simplest possible mechanism. It must have the fewest parts, be the easiest to understand, and repairable with string and hairpins. It must be rugged, powerful, built to carry a family long distances up and down hills, over the roughest roads. There must be nothing fancy about it. The uglier the better...Ford's car must look what it was, utilitarian, the sort of thing millionaires would run away from. It must be painted black.
>
> Once you get that frozen pattern you could spend all your time, money and effort, not improving the car, but improving the methods of turning it out. The idea of making a new model every year was uneconomical. It would mean a new annual cost of retooling your factory. If you went on producing the same thing year after year, you could constantly cheapen its cost and so reduce its price.
>
> The car Ford finally decided upon he called the Model T. When, in accordance with his plan, Ford lowered the price, the stockholders were worried.
>
> "You mean to reduce the price every year?" they asked, in effect.
>
> "That is my intention."
>
> "How then will you make money?"
>
> "By selling more cars."
>
> "But your improved machinery will cost money. It will have to be financed. How will you do that?"
>
> "By using the money I get for the cars to increase my plant."
>
> "Then what happens to the profits?"
>
> "They are to be plowed back into the works."

This was not orthodox business. Profits went to stockholders, not into machinery. But Ford had no faith in orthodox finance. He was suspicious of Wall Street. It was full of rich men - not good, common Americans. Their idea was to finance first and produce afterwards. Ford's way was to produce first and then finance your further production with what you made from your original sales...

The Model

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The Model T went into production in 1909. In 1913, production was a thousand cars a day. In 1915 the one-millionth Ford car came off a moving assembly line.

...On every detail of the car Ford had guessed right. Simple, ugly black, rugged; it was what people wanted. The company was swamped with orders. Enormous expansion would be necessary if half the

---

*Recommended for Students Achieving Below Grade Level.

demand was to be met. Henry Ford knew that it could be done by skilled mechanics. He knew, however, that there was such a thing in the world as mass production. So he got men who understood the system as it had been used to make other machines and had them install it for the biggest mass-production operation in history. To one engineer, he offered a twenty-thousand-dollar bonus over and above his salary if he could produce ten thousand cars the first year. The challenge was met. By the time the ten-thousandth car came from the Ford factory the unique system had begun which, some five years later, became celebrated throughout the world.

(Abridged from Machines That Built America, by Roger Burlingame, pp. 191-194. Copyright, 1953, by Roger Burlingame. Reprinted by permission of Harcourt, Brace & World, Inc.)

Questions for Inquiry and Discovery

1. Why did Ford build only one car style?
2. How did he use the profits derived from the sale of the Model T?
3. What role did mass production play in Ford's plans?
4. Why was Ford able to set up a mass production system?

Project for Individual Research

Students can research some of the "Captains of Industry" to determine the methods used to develop and expand. Examples might include: Cornelius Vanderbilt, Jay Gould, John D. Rockefeller.

Follow-up Activities

1. Large Group Project

   To dramatize mass production and division of labor the class can be assigned the function of producing an advertising circular for a school event. A message such as "You are invited to attend the Open Mind Forum on Wednesday at 3:30 P.M." is sufficient for the contents of this circular. The circulars are to be folded, stapled and addressed. Have the students produce 10 circulars each. Repeat the process by dividing the group by function.

   Questions for Inquiry and Discovery

   1. What problems are encountered when each individual must produce 10 circulars by himself?
   2. What advantages were there to dividing the functions?
   3. Which method was more efficient?
   4. What problems do you see in the second method? How can they be overcome?

2. Show the film The Age of Specialization (BAVI Loan Collection).

   Questions for Discussion

   1. How has specialization benefited the corporation? The worker? Society?

and above his salary if he could produce ten thousand cars the first year. The challenge was met. By the time the ten-thousandth car came from the Ford factory the unique system had begun which, some five years later, became celebrated throughout the world.

(Abridged from Machines That Built America, by Roger Burlingame, pp. 191-194. Copyright, 1953, by Roger Burlingame. Reprinted by permission of Harcourt, Brace & World, Inc.)

Questions for Inquiry and Discovery

1. Why did Ford build only one car style?

2. How did he use the profits derived from the sale of the Model T?

3. What role did mass production play in Ford's plans?

4. Why was Ford able to set up a mass production system?

Project for Individual Research

Students can research some of the "Captains of Industry" to determine the methods used to develop and expand. Examples might include: Cornelius Vanderbilt, Jay Gould, John D. Rockefeller.

Follow-up Activities

1. Large Group Project

   To dramatize mass production and division of labor the class can be assigned the function of producing an advertising circular for a school event. A message such as "You are invited to attend the Open Mind Forum on Wednesday at 3:30 P.M." is sufficient for the contents of this circular. The circulars are to be folded, stapled and addressed. Have the students produce 10 circulars each. Repeat the process by dividing the group by function.

   Questions for Inquiry and Discovery

   1. What problems are encountered when each individual must produce 10 circulars by himself?

   2. What advantages were there to dividing the functions?

   3. Which method was more efficient?

   4. What problems do you see in the second method? How can they be overcome?

2. Show the film The Age of Specialization (BAVI Loan Collection).

   Questions for Discussion

   1. How has specialization benefited the corporation? The worker? Society?

   2. What ill effects has specialization had on the worker? Society?

   3. How has the age of specialization affected the use of leisure time?

3. Distribute the following worksheet to the class and after defining the terms, have each student complete all the questions.

The Economics of Overhead Costs

The La France Corporation was formed in 1966 to market a lipstick in a new type of container. Total overhead costs were $10,000 and the total plant capacity was 250,000 lipsticks. Direct costs were 10¢ each. In 1966, 50,000 were sold at $1. In 1967, competition plus an attempt to increase sales forced the price down to 75¢. At this price 100,000 were sold. In 1968, in an effort to increase sales even more the price was again reduced to 50¢. Sales rose to 150,000. In 1969, it was decided to issue a new line to be sold in better stores at $1. under the name of "Allure." This was in every respect the same as "La France" except for an improved container design which added one cent to the direct cost of the "Allure" brand. In 1969 sales for "Allure" were 50,000 at $1. and 200,000 of "La France" were sold too at the drastically cut price of 15¢.

a) Draw up a table like the one below and from the above facts, derive all the required information:

Year	Sales	Direct Cost Per Unit	Over-head Per Unit	Total Cost Per Unit	Selling Price	Unit Profit	Total Profit
1966							
1967							
1968							
1969							

b) Did the cut in price in 1967 result in a higher or lower total profit than in the preceding year? Explain.

c) How did the increase in sales in 1968 affect the total profits? Explain the results.

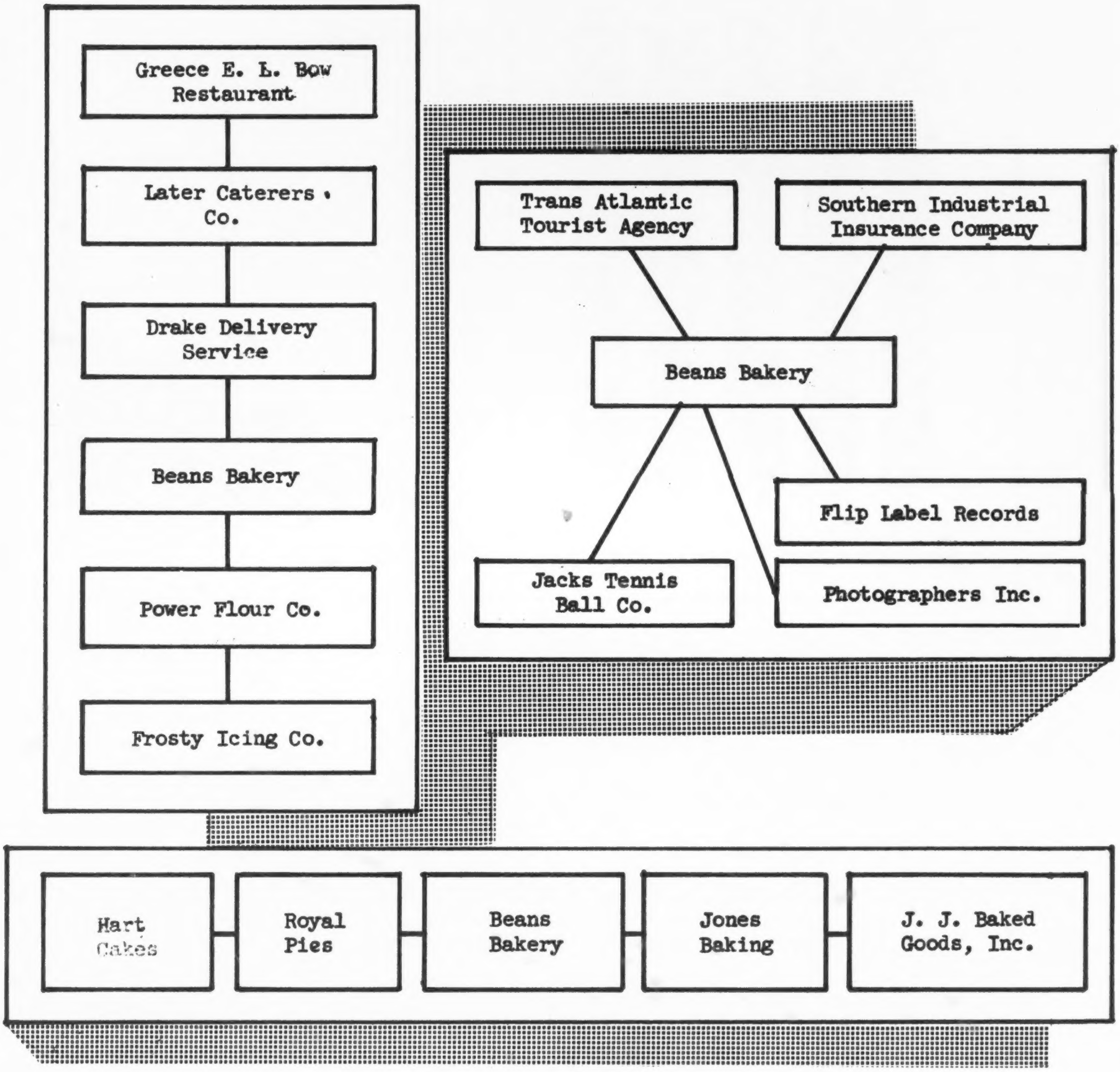
d) What was the profit in 1969? What part did the sales of "La France" at a low price play in the resulting profits? How did the sales at 15¢ affect the profit of the dollar item?

e) Which price policy was best? Explain.

f) What policy would you suggest for 1970? Why?

B. Using a chart to illustrate the forms of business combinations.

Distribute the following diagrams and have students answer the questions that follow.

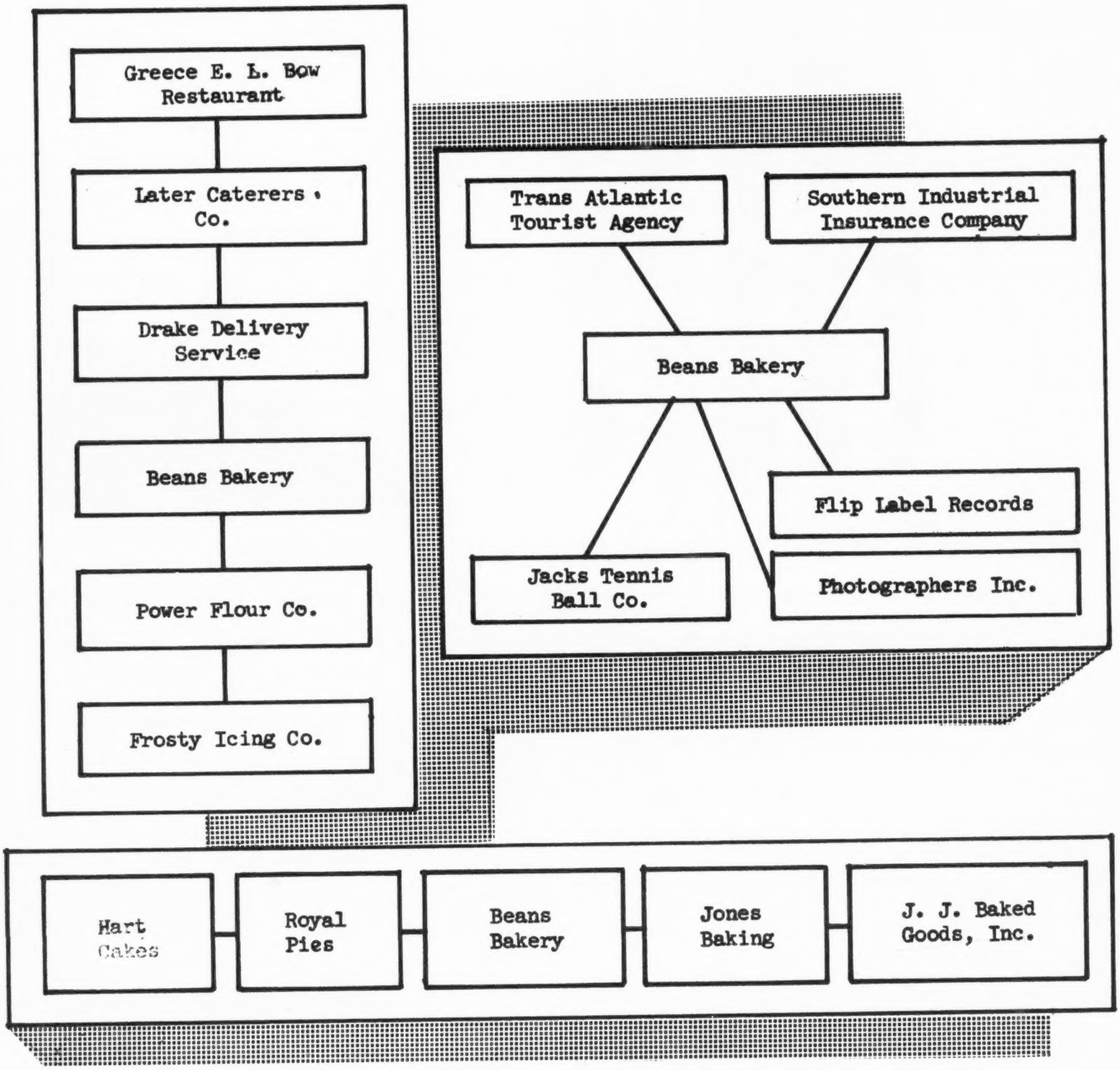

Greece E. L. Bow Restaurant
Later Caterers Co.
Drake Delivery Service
Beans Bakery
Power Flour Co.
Frosty Icing Co.
Trans Atlantic Tourist Agency
Southern Industrial Insurance Company
Beans Bakery
Flip Label Records
Jacks Tennis Ball Co.
Photographers Inc.
Hart Cakes
Royal Pies
Beans Bakery
Jones Baking
J. J. Baked Goods, Inc.

Questions for Inquiry and Discovery

1. What type of combination is suggested by each diagram?

2. What advantage does each present?

3. Why has the government been concerned with the extent and influence of combinations in our society?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Questions for Inquiry and Discovery

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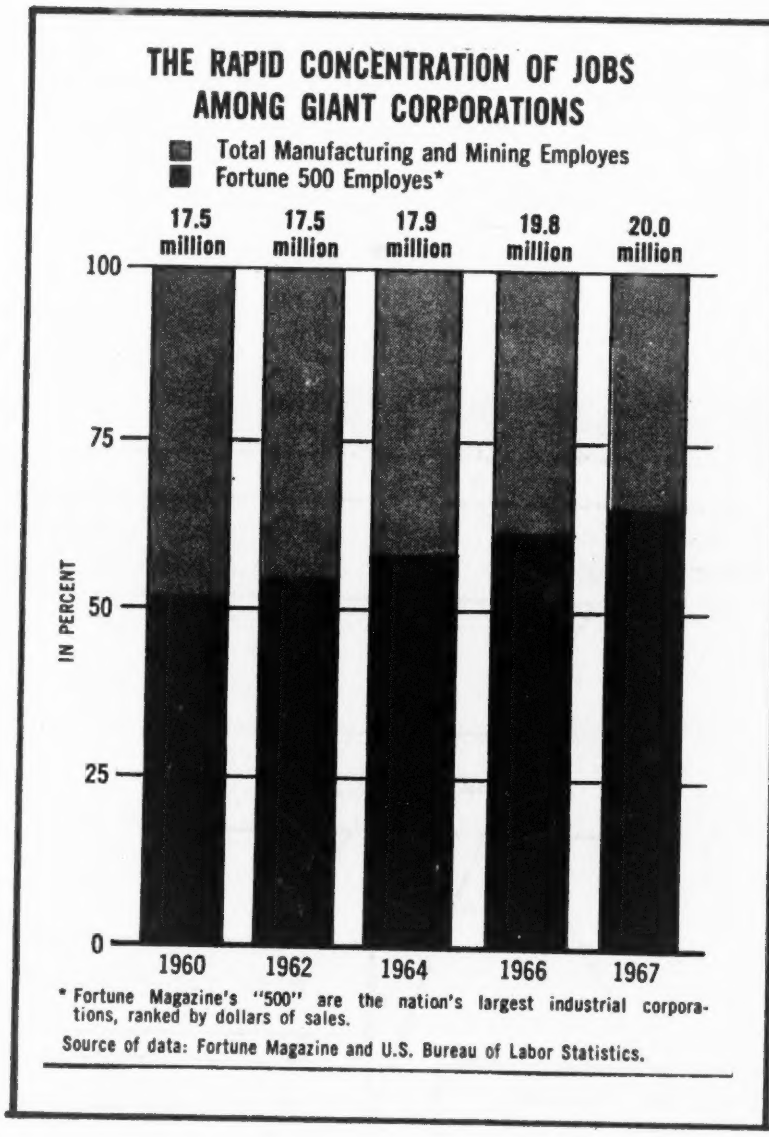
Questions for Small Group Discussion

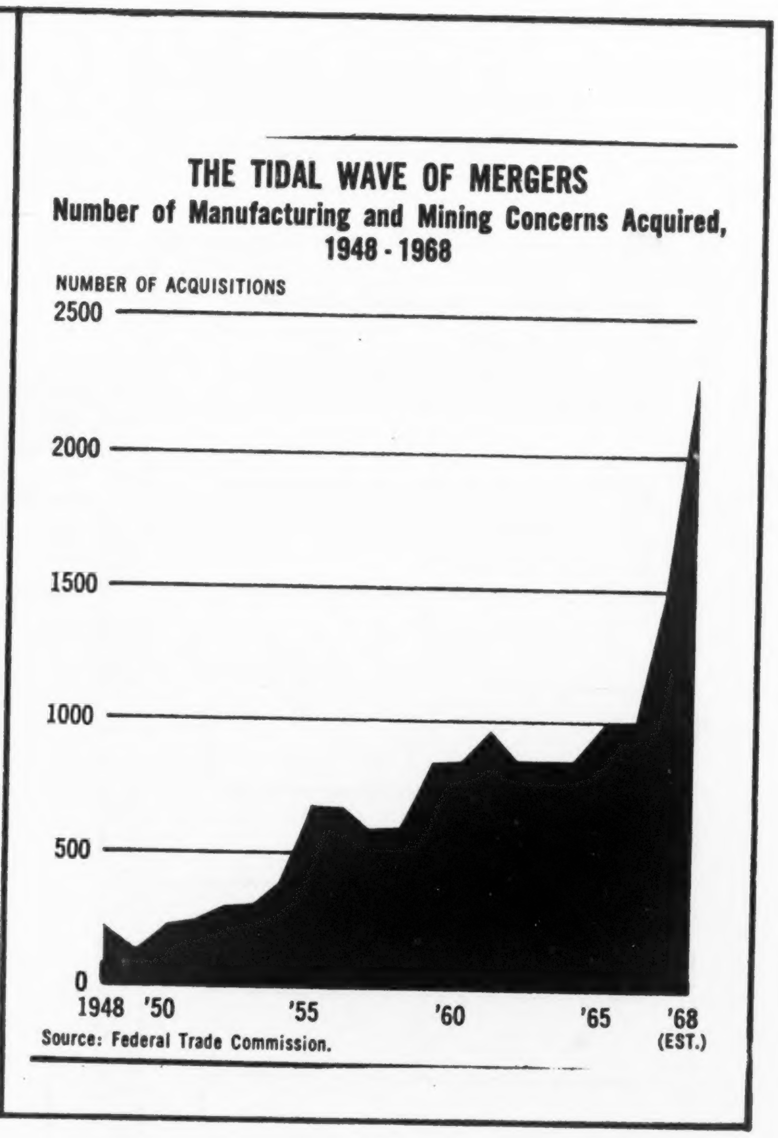
1. Since 1967 there has been a great increase in the number of conglomerates formed. How can you account for this phenomenon?
2. What problems are suggested by the following three graphs?



THE RAPID CONCENTRATION OF JOBS AMONG GIANT CORPORATIONS

* Fortune Magazine's "500" are the nation's largest industrial corporations, ranked by dollars of sales.

Source of data: Fortune Magazine and U.S. Bureau of Labor Statistics.



THE TIDAL WAVE OF MERGERS

Number of Manufacturing and Mining Concerns Acquired, 1948 - 1968

Source: Federal Trade Commission.

3. Should government interfere with the free enterprise process when businesses combine? Why? How?

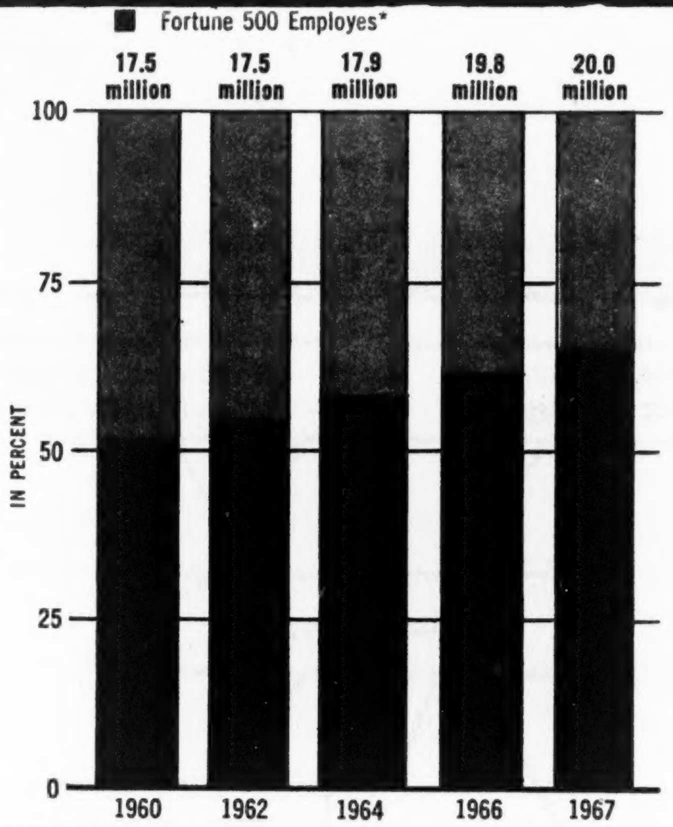
4. How does the law of diminishing returns suggest a limitation in the size of business?

Follow-up Activities

1. Individual Projects

   Have students research and report on the growth of such conglomerates as Glen Alden Corp., Litton Industries, Gulf and Western Industries, Textron, Ling-Tempco-Vought.

2. Interpreting cartoons to learn about business combinations.



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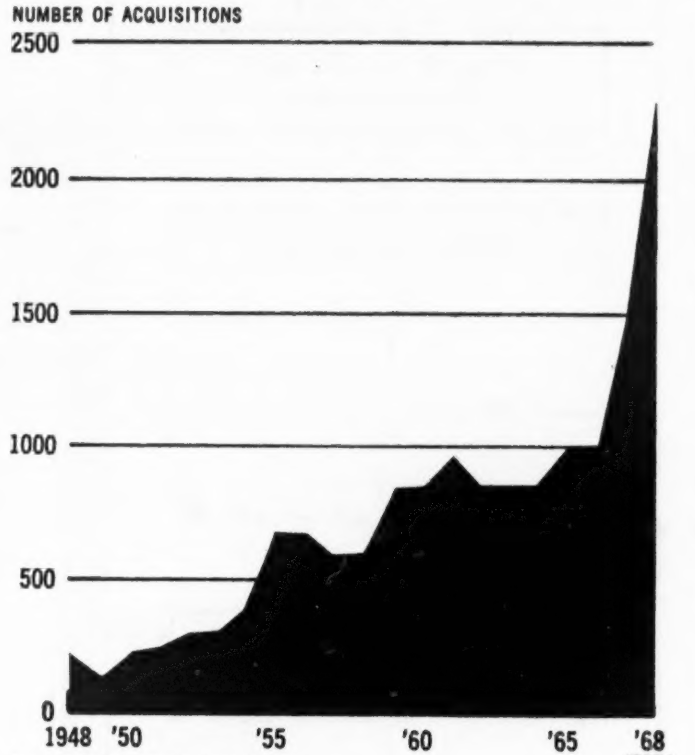

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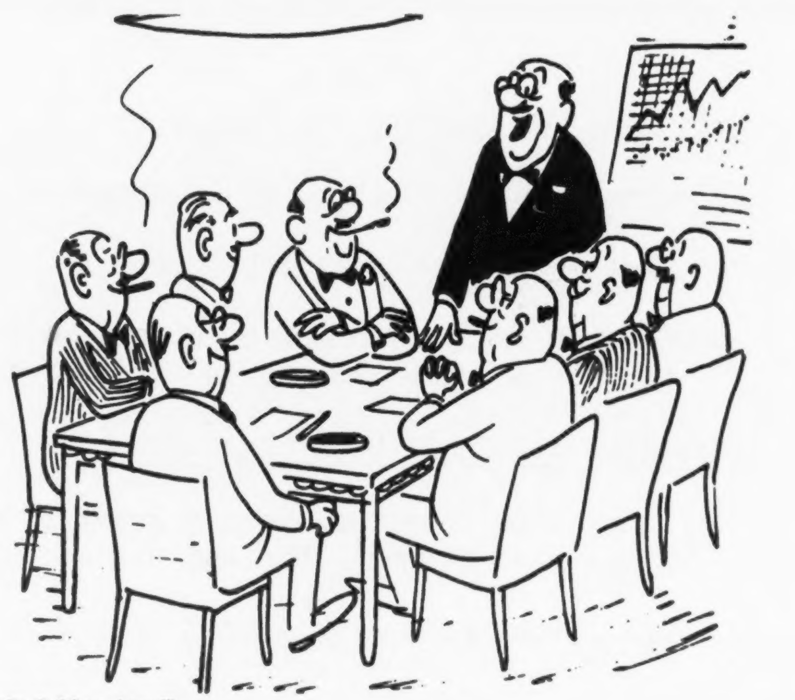

Courtesy, "The Wall Street Journal"

"As you know, gentlemen, business thrives on competition. . . . And to prove it, we have just bought out another of our competitors"; cartoon by Bernhardt in "Sorry — No Budget"

Questions for Discovery and Inquiry

1. What type of business combination is suggested by this cartoon?

2. What advantages does the business hope to gain by this combination?

3. What difficulties can this combination present to the public?

3. Using tables to discover the concept of oligopoly

Employment in Large Firms

	1955		1965	
	Million Persons	% Economy	Million Persons	% Economy
50 Industrials	4.1	23.2	5.1	27.3
50 Banks	.2	28.5	.2	29.0
50 Life Insurance Cos.	.3	74.4	.4	72.6
50 Retail & Wholesale Trade	1.2	11.6	1.6	12.8
50 Transportation Firms	1.1	40.4	.9	33.9
50 Utilities	1.2	83.9	1.2	78.5
Total 300	8.1	24.2	9.3	25.5
Next 450 Industrials	4.5	25.5	6.2	33.3
Total 750	12.6	37.8	15.5	42.5

(Source: U.S. Department of Labor)

Percent of Total U.S. Manufacturing Assets

	1950	1965
5 largest corporations	9.6	11.8
20 largest corporations	20.7	24.6
100 largest corporations	38.6	45.4
200 largest corporations	46.7	55.4

(Source: Federal Trade Commission)

Oligopoly as Measured by Per Cent of Employment in Four Largest Companies in Selected Manufacturing Industries

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Industry	Per Cent of Employment	Industry	Per Cent of Employment
Primary aluminum	100	Tin cans	77
Telephone and telegraph equipment	92	Cigarettes	73
		Motor vehicles and parts	69
Electric lamps	91	Photographic equipment	61
Cereal	89	Meat-packing plants	38
Tires and tubes	78		

Questions for Inquiry and Discovery

1. What has happened to the concentration of workers in big businesses from 1955 to the present?

2. What changes have taken place in the bigness of industry as measured by their assets?

3. How can we explain the relatively small number of companies that control a large portion of some industries?

4. What is an oligopoly? How does it vary from free competition?

Questions for Large Group Discussion

1. Do you agree with the statement that "competition among oligopolists typically utilize every means except one - price cutting?" Why?

2. What ill effects can oligopoly have on employment? Production? Price?

3. What advantages are there to this heavy concentration?

4. At what point should oligopolies be regulated? Why?

Individual Project

Students can study and analyze the competitive practices in such industries as aluminum, cigarette, and car. Students can investigate prices, advertising, product design and service.

4. Using an Industrial Magazine to understand industry's views of bigness.

Economic Values of Bigness

What then are some of the positive economic and social values that go with bigness?

1. Big manufacturing plants, up to a point, enjoy certain economies of scale which can mean lower unit costs, lower prices to the consumer.

2. Large firms, because of the size of their financial, personnel, and physical resources, can engage in ventures beyond the reach of smaller firms.

3. Because of their greater resources, large firms are often better able to withstand short-term adversity. They thus exert a stabilizing effect on both the economy and the society.

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3. Because of their greater resources, large firms are often better able to withstand short-term adversity. They thus exert a stabilizing effect on both the economy and the society.

4. Large firms which are integrated "vertically" have the advantage of a steady, reliable flow at each stage between raw materials and retailing. This enables them to plan their expansion with greater assurance, and thus makes them a more efficient source of expansion for the whole economy.

5. Because of their greater capability to do independent research, large firms are a major source of technological progress, which directly benefits the consumer in price, quality, and range of choice.

To these purely economic values, it is fair to add certain social values which, if less tangible, are no less important. Business firms, as they become more prominent and serve wider markets, abroad as well as at home, tend to become more keenly sensitive to their human environment and to their responsibilities--not only to shareholders and customers but to employees, government, and the public.

As to benefits to the general public, many large firms make purely voluntary contributions to public causes such as education, community service, health, the arts, and attention to the physical environment, which are at least proportionate to their place in the total economy.

Mergers Stimulate Economic Growth

It is sometimes claimed that a merger between two competitors reduce the consumer's range of choice. This is not necessarily so.

A merger obviously reduces the number of competitors, but the range of products and services offered by the merged firm to the consumer may be--and often is--wider than those of the two preceding firms. Moreover, the merged firms can often serve a wider geographic market area, thus extending consumer choice in another way.

It is also said that growth by merger adds nothing to the economy in the way of new investment, whereas so-called "grass roots" growth does. This, too, is not necessarily so. In many cases, a company has the available capital and several other ingredients of success for a new venture, but can only get some missing ingredient--such as qualified technical manpower--by acquiring another company. In such a case the merging of two companies means a new investment which would not have taken place by the "grass roots" method.

Actually, corporate diversification in the past has served to enhance competition and I am sure it will continue to do so. No company today can confidently look upon its established competitors as being its only future competitors. Tomorrow their ranks may be joined by others now in wholly unrelated industries. If new competitors do enter by acquisition or otherwise, it will be only because they think in the long run they can market a better product, or sell at a lower price, and make a profit by doing so.

Antitrust Policy and Reality

Such are some of the realities which I fear have not been given their due weight in the recent consideration of mergers under the antitrust laws. Indeed, so narrow a legal test for mergers has evolved that no sizable company can safely hope to grow by the merger route if this is likely to cause any but the most insignificant increase, horizontally or vertically, in that company's position in industry. This is true regardless of any benefits which the contemplated merger might bring to our economy or our society.

I am not going so far as to join the advocates of new legislation, because I realize the perils of legislating in this highly complex area. We could well find ourselves worse off than before--and by "we" I mean the entire country. But if those who are qualified in this field of law were to conclude that new legislation is the only way to cure the present situation, I for one would be willing to run the risk.

Whatever means adopted, the end we seek is of vital importance to the whole nation. It is no less than the adaptation of our national antitrust policy to the realities of the modern world, and to America's aspirations for future growth and future greatness.

(Source: G. E. Forum)

Questions for Inquiry and Discovery

1. What is the source of this article? Whose point of view does it represent?

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Questions for Inquiry and Discovery

1. What is the source of this article? Whose point of view does it represent?

2. Do you agree with the corporation's viewpoint on the economic values of bigness? Be specific. Support your statements.

3. Would you also include a list of the deficiencies of bigness? What would this list include?

4. Is bigness in itself considered bad by economists today? Why?

5. Do you agree with the corporation that "government should take a look at antitrust policies to bring them into harmony with modern business realities?"

5. Using a worksheet to discover the economic implications of Monopoly Price.

The Implications of Monopoly Price

Supply and Demand Schedule for a Hypothetical Good

Supply ('000)	Price (per unit)	Demand ('000)	Gross Income (PXD)	Cost	Profit
450	3.00	60	$180,000		
400	2.50	80	200,000		
360	2.00	100	200,000		
330	1.75	150	262,500		
315	1.60	210	336,000		
300	1.50	250	370,000		
280	1.40	280	392,000		
240	1.30	320	416,000		
200	1.20	370	444,000		
150	1.10	430	473,000		

Operating costs are $1.00 per unit. Overhead is $50,000.

Questions for Inquiry and Discovery

1. If the laws of supply and demand were to operate freely, what would be the market price? How many units would be bought at this price?
2. Under monopoly conditions, the goods could be sold at any price. Calculate the total cost of goods sold at each price listed in the schedule above.
3. Calculate the profit resulting from each of the possible sale prices.
4. Under conditions of monopoly, what would be the market price? Why?
5. Why are monopolies regulated in this country?

6. Using a case study to understand the implications of Monopolistic Practices.

Price Fixing in the Electrical Equipment Industry

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In 1961, forty-five executives of America's leading electrical equipment manufacturers were convicted of having conspired to fix prices, rig bids, and divide markets on electrical equipment valued at $1,750,000,000 annually. The executives received sentences of up to 30 days in jail and also paid stiff personal fines. Their companies also paid fines. The largest electrical firm paid $437,500; the second largest firm, $372,500; and smaller firms paid proportionately less.

For the next five years the electrical equipment firms settled additional claims amounting to several hundred million dollars from purchasers of electrical equipment who claimed that they had been overcharged. The antitrust laws permit triple damages in such cases. For example, suppose that as a result of price fixing, a firm pays $11 for a product instead of $10. Its direct loss is $1, but the law permits the buyer to collect $3 in damages, provided he can prove that price-fixing took place.

Price-fixing in the industry dated back to 1945 for some products. The price-fixing set-up in switch gears and circuit breakers (devices which interrupt and redirect the flow of electricity) were typical. Every ten days to two weeks, executives of the leading firms would meet in a hotel room to discuss prices. At these meetings they agreed on uniform posted prices for all material that was sold through catalogs.

Other equipment was made on special orders. Each company was typically invited to submit to the buyer a sealed bid indicating his price for that item. The buyer would then open the bids and normally would give the business to the company that was willing to charge the lowest price. Theoretically no bidder knew what other bidders would charge; so if he really wanted the business, he would try to charge the lowest possible price.

In practice, however, executives of the leading companies met in advance to discuss who should bid. Their attendance list was called a "Christmas card list," while the meetings were known as "choir practices." Each company had a code number, and then the companies would take turns in submitting the "low bid" on a coming contract.

For example, suppose that a power company was requesting bids on a particular piece of equipment. The executives would meet in advance. If it were Company D's turn to get the bid, this company might bid $1 million - which was the price it really wanted to charge - while all of the other companies would deliberately submit higher bids.

As long as this system operated, each company had to content itself with its agreed-on share of the market. When a new producer entered the field, the others had to cut back their shares in order to permit the new producer to sell some equipment too.

From time to time the agreements broke down. Individual companies would "cheat." In the meeting they would agree to one set of prices, and then they would give discounts to buyers on a more or less confidential basis in order to win business. In spite of occasional broken agreements, the conspiracy existed until 1960.

(From Readings and Cases in Economics, Dean S. Ammer (Ginn).

Questions for Inquiry and Discovery

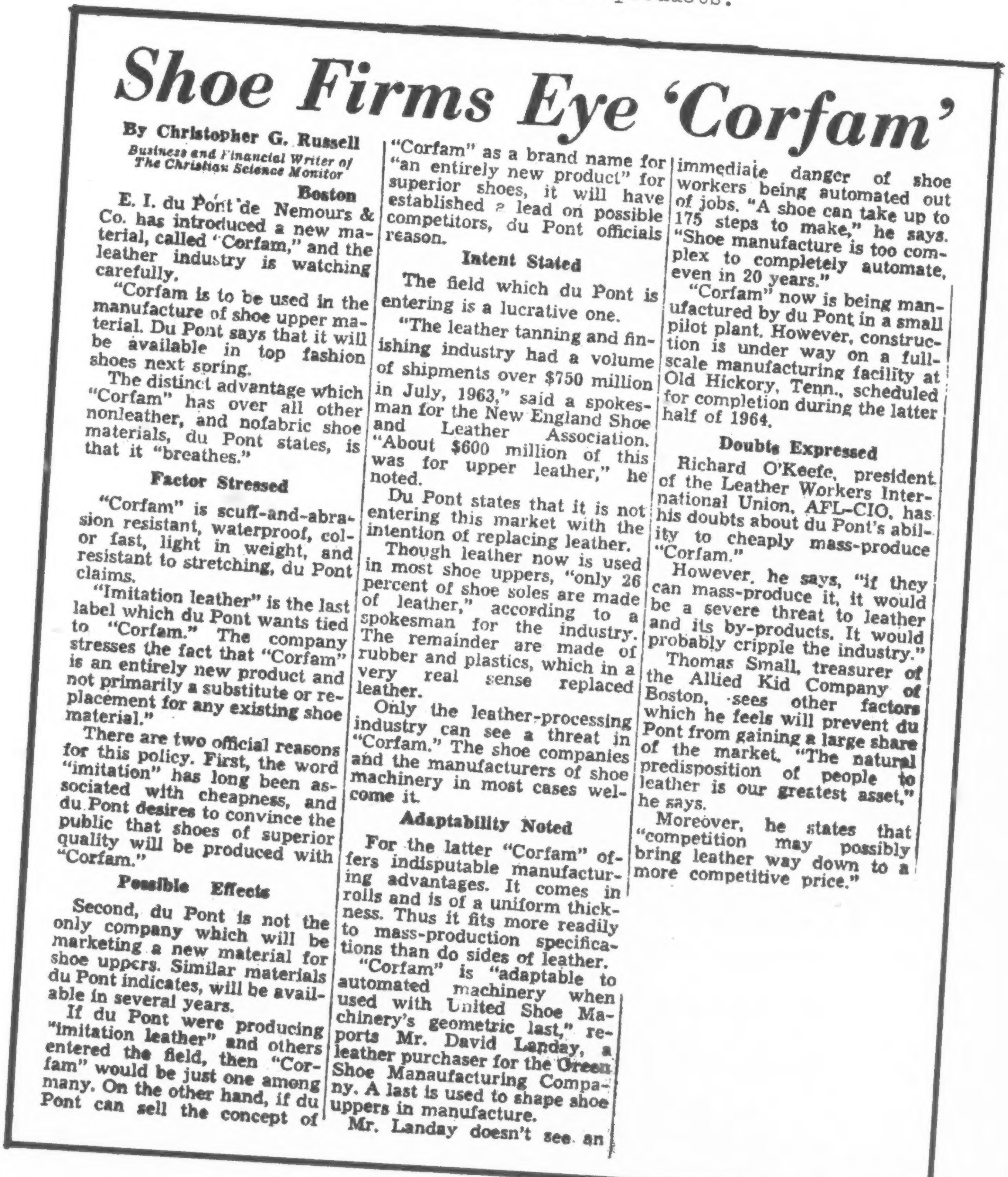
1. How can a price-fixing agreement sometimes be a substitute for a merger of competing firms?

2. Why do our antitrust laws forbid companies to agree among themselves on how much to charge for competing products?

3. Some of the defendants in the electrical equipment case argued that price-fixing was necessary if companies in the industry were to be able to prosper and continue to provide jobs for their workers. Do you agree?

4. Why did the agreements break down at times?

7. Using a newspaper article to show how monopolistic practices are checked by competitive and substitute products.



Shoe Firms Eye 'Corfam'

By Christopher G. Russell

Business and Financial Writer of The Christian Science Monitor

Boston

E. I. du Pont de Nemours & Co. has introduced a new material, called "Corfam," and the leather industry is watching carefully.

"Corfam is to be used in the manufacture of shoe upper material. Du Pont says that it will be available in top fashion shoes next spring.

The distinct advantage which "Corfam" has over all other nonleather, and nofabric shoe materials, du Pont states, is that it "breathes."

Factor Stressed

"Corfam" is scuff-and-abrasion resistant, waterproof, color fast, light in weight, and resistant to stretching, du Pont claims.

"Imitation leather" is the last label which du Pont wants tied to "Corfam." The company stresses the fact that "Corfam" is an entirely new product and not primarily a substitute or replacement for any existing shoe material."

There are two official reasons for this policy. First, the word "imitation" has long been associated with cheapness, and du Pont desires to convince the public that shoes of superior quality will be produced with "Corfam."

Possible Effects

Second, du Pont is not the only company which will be marketing a new material for shoe uppers. Similar materials du Pont indicates, will be available in several years.

If du Pont were producing "imitation leather" and others entered the field, then "Corfam" would be just one among many. On the other hand, if du Pont can sell the concept of "Corfam" as a brand name for "an entirely new product" for superior shoes, it will have established a lead on possible competitors, du Pont officials reason.

Intent Stated

The field which du Pont is entering is a lucrative one.

"The leather tanning and finishing industry had a volume of shipments over $750 million in July, 1963," said a spokesman for the New England Shoe and Leather Association. "About $600 million of this was for upper leather," he noted.

Du Pont states that it is not entering this market with the intention of replacing leather.

Though leather now is used in most shoe uppers, "only 26 percent of shoe soles are made of leather," according to a spokesman for the industry. The remainder are made of rubber and plastics, which in a very real sense replaced leather.

Only the leather-processing industry can see a threat in "Corfam." The shoe companies and the manufacturers of shoe machinery in most cases welcome it.

Adaptability Noted

For the latter "Corfam" offers indisputable manufacturing advantages. It comes in rolls and is of a uniform thickness. Thus it fits more readily to mass-production specifications than do sides of leather.

"Corfam" is "adaptable to automated machinery when used with United Shoe Machinery's geometric last," reports Mr. David Landay, a leather purchaser for the Green Shoe Manaufacturing Company. A last is used to shape shoe uppers in manufacture.

Mr. Landay doesn't see an immediate danger of shoe workers being automated out of jobs. "A shoe can take up to 175 steps to make," he says. "Shoe manufacture is too complex to completely automate, even in 20 years."

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Richard O'Keefe, president of the Leather Workers International Union, AFL-CIO, has his doubts about du Pont's ability to cheaply mass-produce "Corfam."

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Moreover, he states that "competition may possibly bring leather way down to a more competitive price."

(From Christian Science Monitor, Oct. 9, 1963.)

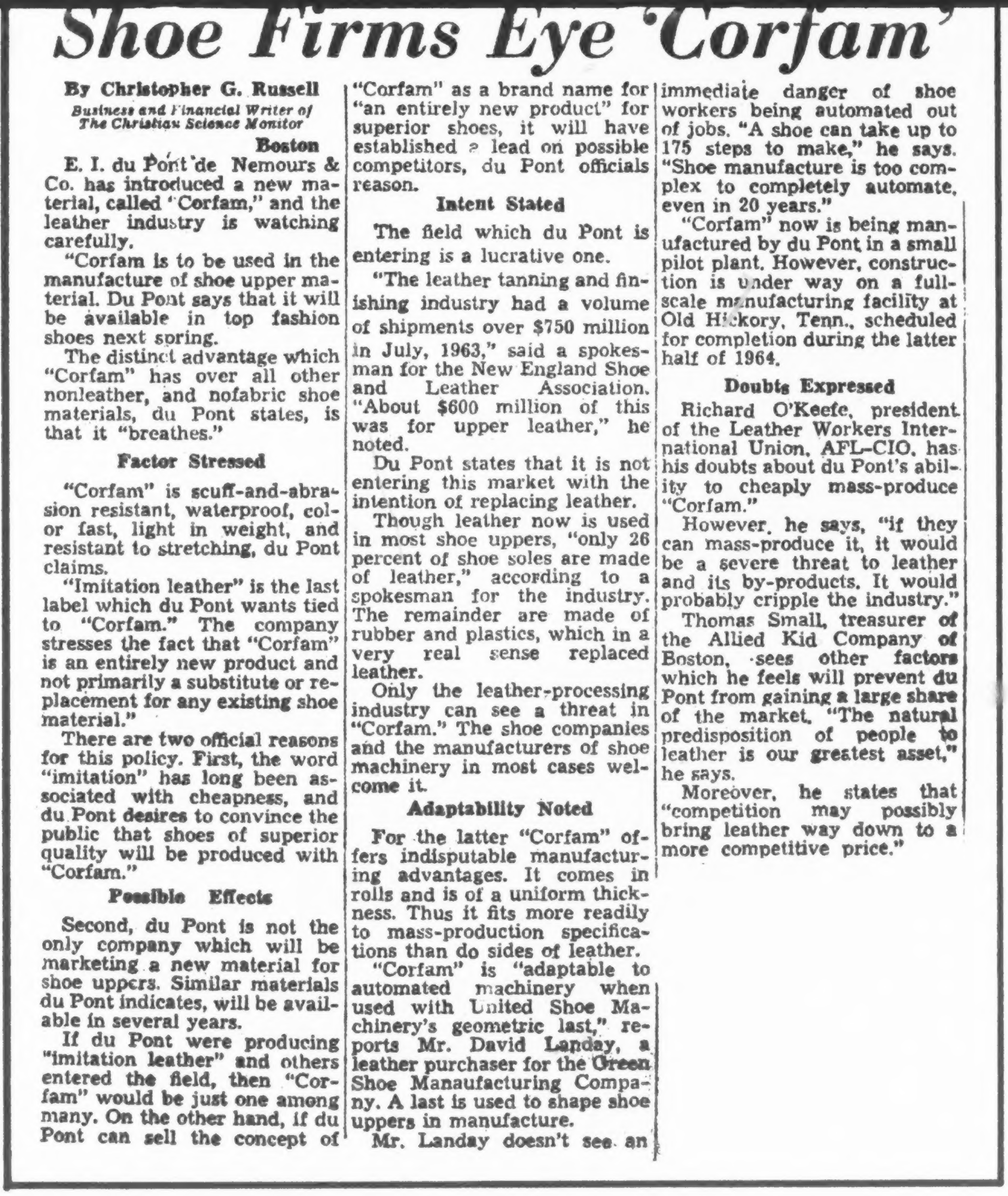
Questions for Inquiry and Discovery

1. Why is du Pont trying to establish a brand name?

2. How does each of the following view the advent of Corfam?

   Leather tanning and finishing industry
   Shoe manufacturers
   Manufacturers of shoe machinery
   President of the Leather Workers International Union

3. Suppose Corfam becomes a hit. How would it
for shoes?



Shoe Firms Eye 'Corfam'

By Christopher G. Russell
Business and Financial Writer of The Christian Science Monitor

Boston

E. I. du Pont de Nemours & Co. has introduced a new material, called "Corfam," and the leather industry is watching carefully.

"Corfam is to be used in the manufacture of shoe upper material. Du Pont says that it will be available in top fashion shoes next spring.

The distinct advantage which "Corfam" has over all other nonleather, and nofabric shoe materials, du Pont states, is that it "breathes."

Factor Stressed

"Corfam" is scuff-and-abrasion resistant, waterproof, color fast, light in weight, and resistant to stretching, du Pont claims.

"Imitation leather" is the last label which du Pont wants tied to "Corfam." The company stresses the fact that "Corfam" is an entirely new product and not primarily a substitute or replacement for any existing shoe material."

There are two official reasons for this policy. First, the word "imitation" has long been associated with cheapness, and du Pont desires to convince the public that shoes of superior quality will be produced with "Corfam."

Possible Effects

Second, du Pont is not the only company which will be marketing a new material for shoe uppers. Similar materials du Pont indicates, will be available in several years.

If du Pont were producing "imitation leather" and others entered the field, then "Corfam" would be just one among many. On the other hand, if du Pont can sell the concept of "Corfam" as a brand name for "an entirely new product" for superior shoes, it will have established a lead on possible competitors, du Pont officials reason.

Intent Stated

The field which du Pont is entering is a lucrative one.

"The leather tanning and finishing industry had a volume of shipments over $750 million in July, 1963," said a spokesman for the New England Shoe and Leather Association. "About $600 million of this was for upper leather," he noted.

Du Pont states that it is not entering this market with the intention of replacing leather.

Though leather now is used in most shoe uppers, "only 26 percent of shoe soles are made of leather," according to a spokesman for the industry. The remainder are made of rubber and plastics, which in a very real sense replaced leather.

Only the leather-processing industry can see a threat in "Corfam." The shoe companies and the manufacturers of shoe machinery in most cases welcome it.

Adaptability Noted

For the latter "Corfam" offers indisputable manufacturing advantages. It comes in rolls and is of a uniform thickness. Thus it fits more readily to mass-production specifications than do sides of leather.

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   Manufacturers of shoe machinery
   President of the Leather Workers International Union

3. Suppose Corfam becomes a hit. How would it affect the market for shoes? The manufacture of shoes?

4. How does the story of Corfam illustrate a check on monopoly practice?

Follow-up Activity

The students can compare the potential of Corfam to its place in the shoe market today. What are its sales? What percent of men's shoes? What percent of women's shoes? Has the impact lived up to du Pont's forecast? Why?

*8. After reading their textbooks, students can use the charts below to summarize the role played by government in fostering competition.

Chart I: Legislation Designed to Inhibit Monopoly Growth and Preserve Competition

Policy	Purpose	Brief Definition	Effect
Sherman Anti-Trust Act, 1890	Maintain competition	Made monopoly & "restraint of trade" illegal	Court interpretations weakened enforcement
Clayton Act, 1914			
Federal Trade Commission Act, 1914			
Robinson-Patman Act, 1936			
Celler-Kefauver Anti-Merger Act, 1950			

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*Recommended for Students Achieving Below Grade Level.

Chart II: Other Instances of Government Action Relative to the Monopoly Problem.

Policy	Purpose	Brief Definition	Effect
Government Defense Contracts	To provide for national security	Business agreements between U.S. Government and private industry	Public expenditures now account for at least 20% of Gross National Product
Protective Tariffs			
Depletion Allowances, Tax policy			
Standard Oil Trust Case, 1911			
Electrical Equipment			

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Standard Oil Trust Case, 1911			
Electrical Equipment Case, 1961			
Steel Price Case, 1968			

**9. Using a Court case to understand the problem of determining "unfair" competition.

A Competitive Question Gets Tangled in Wires

COMPETITION, in business as in sports, depends on a number of "players" with fairly similar abilities. The game won't last long under ordinary rules if one team becomes so strong that it cannot lose.

But how is it possible to judge the point at which one team is starting to develop this sort of power? That was the kind of question involved in 1960 when the Aluminum Company of America, one of the nation's industrial giants, locked horns with the U.S. Department of Justice.

ALCOA moved in 1959 to acquire the much smaller Rome Cable Corporation. Alcoa, among its many other product lines, was the leading U.S. producer of aluminum wire and cable. Its production amounted to 27.8 per cent of the U.S. total. It was the third largest maker of insulated aluminum wire and cable, with 11.6 per cent of that market.

Most of the Rome Cable Corporation's products were made of copper. But the company was also the ninth largest producer of aluminum wire and cable, with 1.3 per cent of the market. It was the eighth largest producer of insulated aluminum wire and cable, with 4.7 per cent of that market.

Alcoa, big as it was, said that it lacked some of the smaller firm's know-how in the manufacture of insulated wires and cables. It said that Rome Cable could also help it to build a full line of insulated aluminum and copper cables, which it needed to compete effectively with such firms as the Kaiser Aluminum and Chemical Corporation.

THE JUSTICE DEPARTMENT filed suit in 1960 to stop Alcoa's acquisition of Rome Cable.

Government lawyers cited the Clayton Antitrust Act, passed by Congress in 1914 and reinforced in 1950, which bars the joining of two companies "where in any line of commerce in any section of the country the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly."

The federal suit charged that the move would eliminate a "healthy competitor" from the aluminum wire and cable field. It said also that the acquisition was part of a trend in which big "full-line" corporations were eliminating smaller companies with more limited selections of products. Five big companies, it pointed out, already controlled 81.6 per cent of U.S. production of aluminum wire and cable and 65.4 per cent of insulated aluminum wire and cable production.

(From Today's Economies, American Education Publication.)

Questions for Inquiry and Discovery

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Questions for Inquiry and Discovery

1. How did the Clayton Act (including the 1950 amendment) apply to this case?

2. The acquisition of Rome Cable Corporation by Alcoa was eventually blocked. Do you think this was a fair judgment? Why? Why not?

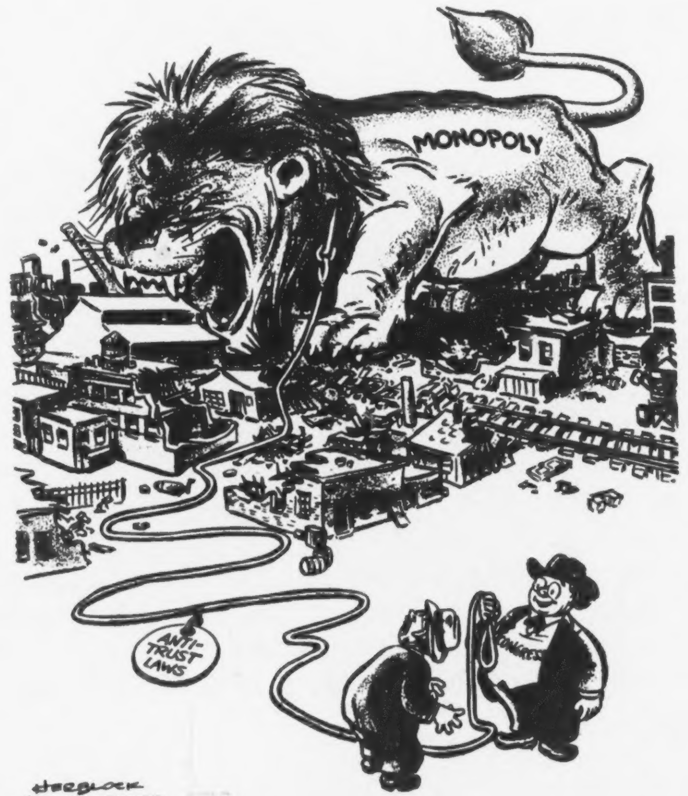
3. Do you think that the merger would have decreased or increased competition in the marketing of aluminum and copper cables?

4. What criteria should we use to determine if a violation of the anti-monopoly laws has taken place?

**Recommended for Students Achieving Above Grade Level.

*10. Interpreting a cartoon to evaluate the role of government in regulating big business.

"It's All Right—I've Got Him On A Leash"


MONOPOLY
ANTI-TRUST LAWS
HERBLOCK
©1947 THE WASHINGTON POST

The Herblock Book (Beacon Press, 1952)

Questions for Inquiry and Discovery

1. According to the cartoonist, how effective are the anti-trust laws?

2. What effect does the existence of monopoly - like enterprise

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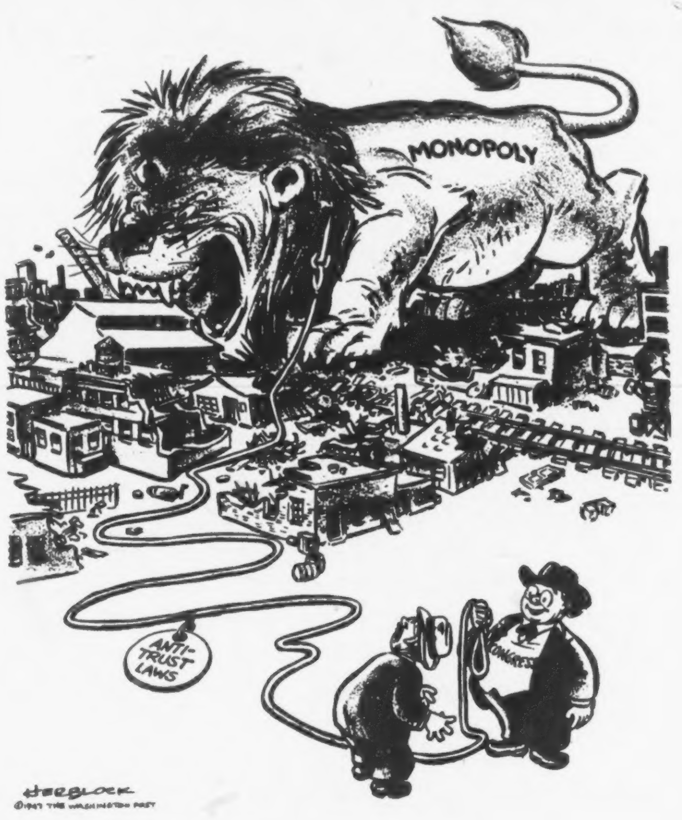

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Questions for Inquiry and Discovery

1. According to the cartoonist, how effective are the anti-trust laws?
2. What effect does the existence of monopoly - like enterprise have on our economy?
3. How might the Congressman explain this situation?

Questions for Discussion

1. If you were in Congress, what changes would you suggest in the anti-trust laws?
2. Should such legislation be applied to labor unions? Explain.

**Individual Project

Students can research how anti-trust policies vary under different administrations and the effect these policies had on industry, the consumer and the economy. The New York Times Microfilm materials can be used for this project.

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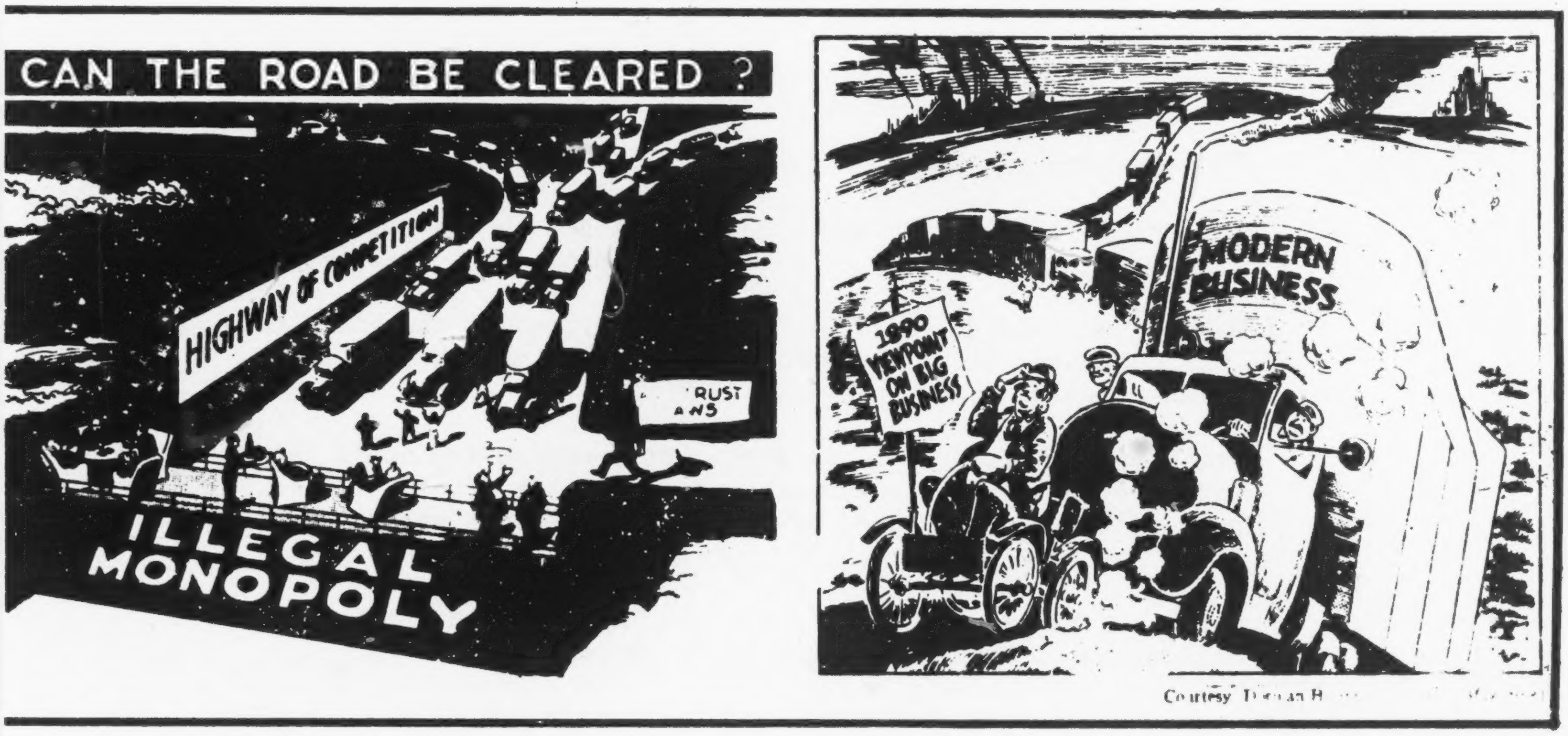
*Recommended for Students Achieving Below Grade Level.
**Recommended for Students Achieving Above Grade Level.

*Teachers can use a case study of Curt Flood of the St. Louis Cardinals challenging the reserve clause in the contracts governing major league baseball players.

1. What is the reserve clause?
2. Why do the owners favor it?
3. Why is Curt Flood challenging it?
4. Does this clause create a baseball monopoly?
5. Is baseball a sport or a business?
6. Should baseball be regulated? How?

*11. Using cartoons to discover conflicting views about anti-monopoly legislation.


CAN THE ROAD BE CLEARED ?
HIGHWAY OF COMPETITION
RUST
ANS
ILLEGAL MONOPOLY
MODERN BUSINESS
1890 VIEWPOINT ON BIG BUSINESS
Courtesy

(From Business and the American Way, E. L. Korey)

Questions for Inquiry and Discovery

1. What point of view on the anti-trust laws is expressed by the cartoon on the left?
2. Compare the above viewpoint with that expressed in the cartoon on the right.

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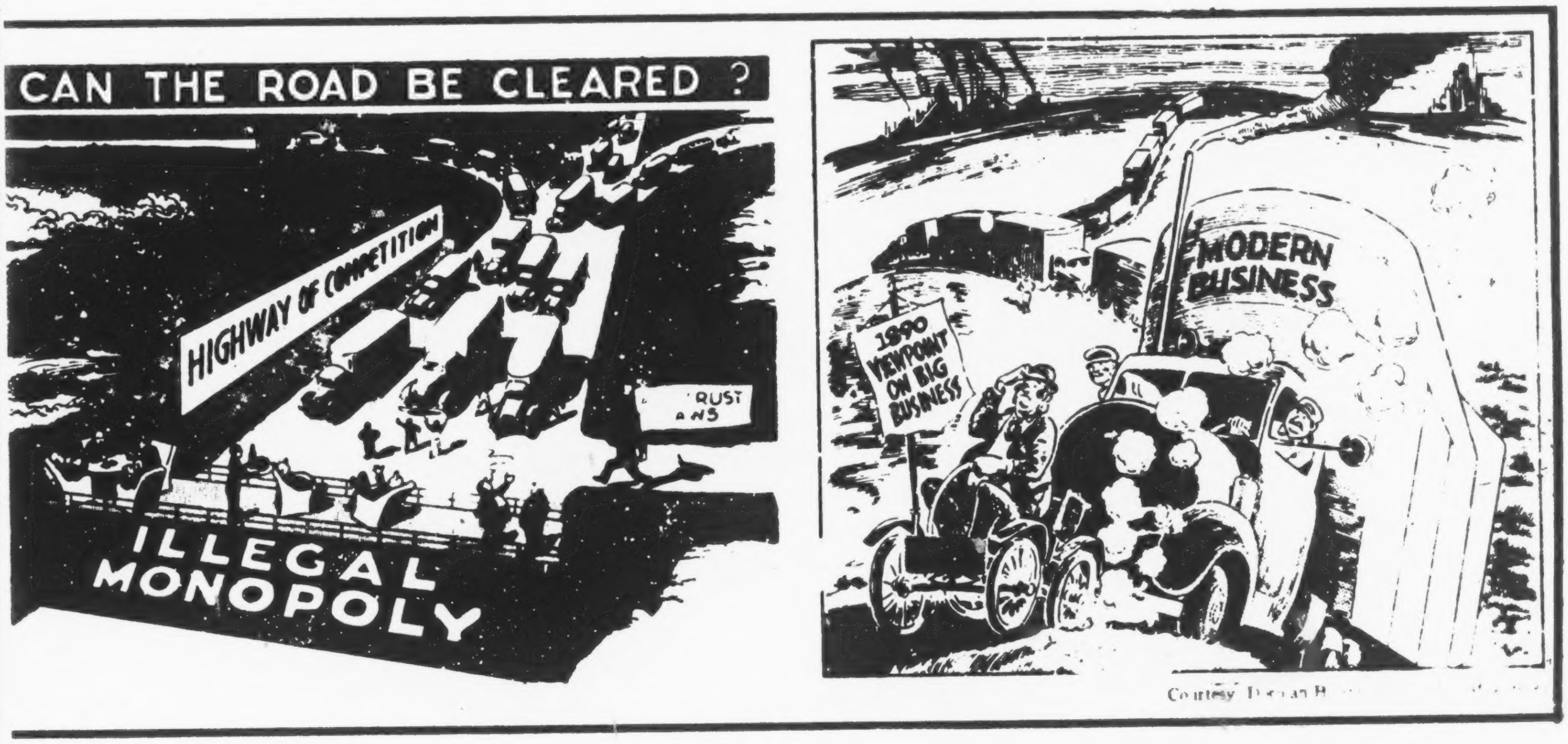
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Questions for Inquiry and Discovery

1. What point of view on the anti-trust laws is expressed by the cartoon on the left?

2. Compare the above viewpoint with that expressed in the cartoon on the right.

3. Which cartoon best expresses your views? Why?

*Individual Projects

Students can create their own cartoons expressing their own viewpoint on a current or recent case involving government anti-monopoly activity.

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*Recommended for Students Achieving Below Grade Level.

12. Using a newspaper report to understand the interrelationship between oligopolies, government and the public.

The Steel Confrontation

Wallace Carroll

WASHINGTON, April 22--It was peaceful at the White House on the afternoon of Tuesday, April 10--so peaceful that the President of the United States thought he might have time for a nap or a little relaxed reading.

Just to be sure, he called his personal secretary, Mrs. Evelyn Lincoln, and asked what the rest of the day would bring.

"You have Mr. Blough at a quarter to six," said Mrs. Lincoln.

"Mr. Blough?" exclaimed the President.

"Yes," said Mrs. Lincoln.

There must be a mistake, thought the President. The steel negotiations had been wound up the previous week.

"Get me Kenny O'Donnell," he said.

But there had been no mistake--at least not on the part of Kenneth P. O'Donnell, the President's appointment secretary.

Whether Mr. Blough--Roger M. Blough, chairman of the board of United States Steel Corporation--had made a mistake was a different question.

For when he walked into the President's office two hours later with the news that his company had raised the price of steel, he set off seventy-two hours of activity such as he and his colleagues could not have expected....

Early on that afternoon of April 10, Roger Blough had met with his colleagues of United States Steel's executive committee....

For several months these men had been giving out hints, largely overlooked in Washington, that the company would have to raise prices to meet increasing costs.

The Kennedy Administration had striven last fall to prevent a steel price increase, and there had been no increase. It had pressed again for a modest wage contract this year, and a modest contract had been signed a few days earlier. The Administration expected no price increase now.

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The company's executive committee reviewed the situation. The sales department had concurred in a recommendation to increase prices by 3½ per cent....

Everyone realized that the move would not win any popularity prize, but the committee voted unanimously to go ahead.

With the decision made, Mr. Blough took a plane to Washington....

A few minutes after 5:45 the President received him in his oval office....

With little preliminary, Mr. Blough (informed the President that his company would raise prices immediately)....

(After the meeting,) the President, who usually keeps his temper under rein, let go. He felt he had been double-crossed--deliberately. The office of the President had been affronted. The national interest had been flouted....

It was clear that the Administration would fight. No one knew exactly what could be done, but from that moment the awesome power of the federal government began to move....

By about 8 P.M. some decisions had been reached.

President Kennedy would deliver the first counter-attack at his news conference scheduled for 3:30 the following afternoon....

At his home on Hillbrook Lane, Senator Estes Kefauver of Tennessee, chairman of the Senate Antitrust Subcommittee, was getting ready to go out for the evening. The phone rang. It was the President. Would Senator Kefauver publicly register "dismay" at the price increase and consider an investigation?

The Senator certainly would. He promised an investigation. So did the Justice Department.

The pressures on United States Steel were beginning to mount. But now some of the other titans of the industry began to fall in line behind Big Steel.

Shortly before noon (Wednesday) the President was shown a news bulletin. Bethlehem Steel, second in size only to United States Steel, had announced a price increase.

Others followed in short order--Republic, Jones & Laughlin, Youngstown, and Wheeling....

When he faced the newsmen and television cameras at 3:30, President Kennedy spoke with cold fury. The price increase, he said, was a "wholly unjustifiable and irresponsible defiance of the public interest." The steel men had shown "utter comtempt" for their fellow citizens.

He spoke approvingly of the proposed investigations. But what did he hope to accomplish that might still save the Administration's broad economic program?....

Some of the President's economic advisors argued that the principal thrust of the Administration's effort should be to convince one or two significant producers to hold out. In a market such as steel, they said, the high-priced sellers would have to come down if the others did not go up....

As one member of the Bit Twelve after another raised prices, only Armco, Inland, Kaiser, CF & I (Colorado Fuel & Iron) and McLouth were holding the line. These five hold-outs represented 14 per cent of total industry capacity....

Everything pointed to Inland as the key to the situation.

Inland Steel Corporation with headquarters in Chicago is a highly efficient producer. It could make a profit at lower prices than those of some of the bigger companies. And any company that sold in the Midwest, such as United States Steel, would feel Inland's price competition.

Moreover, there was a tradition of public service at Inland....

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"Hello, P.D.," said Edward Gudeman, Under Secretary of Commerce, a former schoolmate and friend of Mr. Block's, calling from Washington.

"What do you think of this price increase of United States Steel's?"

Mr. Block said he had been surprised....(Other Administration officials also called people they knew at Inland.)

Though no concrete assurance was asked or volunteered in these conversations, the Administration gathered assurance that Inland would hold the line for at least another day or two.

Next came Armco, sixth largest in the nation....

How many calls were made by President Kennedy himself cannot be told. But sometime during all the activity he talked to Edgar Kaiser, chairman of Kaiser Steel, in California....

(At 3:30 P.M., Thursday, Roger Blough held a televised news conference.)

On several occasions, he said, he had made it clear that United States Steel was in a cost-price torque that could not be tolerated forever, that a company without profits is a company that cannot modernize, and that the price increase would add "almost negligibly" to the cost of other products--$10.64 for the steel in a standard automobile, $.03 for a toaster.

One question and answer in the fifty-eight-minute session caught the ears of people in Washington: Could United States Steel hold its new price if Armco and Inland stood pat?

"It would definitely affect us," conceded Mr. Blough. "I don't know how long we could maintain our position."....

Meanwhile, Justice Department agents appeared at the headquarters of United States Steel, Bethlehem, Jones & Laughlin and other companies and served subpoenas for documents bearing on the price increase and other matters.

And at 7 P.M. Attorney General Kennedy announced that the Justice Department had ordered a grand jury investigation of the increase....

The first big news of (Friday) came (when) Joseph Block, Inland's chairman, told a reporter....:

"We do not feel that an advance in steel prices at this time would be in the national interest."

That news heartened the Administration but it did not stop planning or operations....

At 11:45 Secretary McNamara said at his news conferences that the Defense Department had ordered defense contractors to shift steel purchases to companies that had not raised prices. Later in the day the Department awarded to the Lukens Steel Company, which had not raised prices, a contract for more than $5,000,000 worth of a special armor plate for Polaris-missile would hold the line for at least another day or two.

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At 12:15 President Kennedy and most of the Thursday group met again in the Cabinet Room. It was estimated at that time that the price line was being held on 16 per cent of the nation's steel capacity.

This might be enough to force the bigger companies down again, but the sentiment of the meeting was that the retreat would not come soon.

Accordingly, preparations continued for a long struggle....

(But suddenly the steel companies' united front crumbled. At 3:20 P.M. it was announced that Bethlehem Steel had withdrawn its price increase.)

The Administration had made no special effort with Bethlehem. To this day, officials here are uncertain what did it.

Among other things, Bethlehem's officials were struck by the Inland and Kaiser announcements that morning. Inland posed direct competition to Bethlehem's sales in the Midwest--the largest steel market--and Kaiser posed it on the West Coast.

Further, special questions were raised by the Pentagon's order to defense industries to shift their steel buying to mills that did not raise prices. What did this mean for Bethlehem's vast operations as a shipbuilder?

Whatever the compelling factors were, Bethlehem's decision brought the end of the battle clearly in sight. The competitive situation was such that United States Steel's executive committee was not called into session to reverse its action of the previous Tuesday. The company's officers acted on their own.

The big capitulation came at 5:28....

United States Steel pulled back the price increase.

It was just seventy-two hours since Roger Blough had dropped in on Mr. Kennedy.

(From the New York Times, April 23, 1962, pp. 1, 25. c 1962 by The New York Times Company. Reprinted by permission.)

Questions for Inquiry and Discovery

1. Why did United States Steel raise its prices?
2. Why were the other steel companies ready to follow the lead of U. S. Steel?
3. To what extent were steel prices influenced by supply and demand?
4. What factors other than supply and demand were influencing steel prices?
5. How might a change in steel prices affect the price of other products?
6. Why was President Kennedy angry when the price rise was announced?
7. What methods were open to the administration to deal with this situation? What affect did these activities have on free competition?

Questions for Large Group Discussion

1. What are the circumstances that tend to create a market with a limited degree of competition in the steel industry?
2. The steel confrontation was a case of conflict between big business and big government. Which side do you think was right? Why?

THEME II: ORGANIZING PRODUCTION

Selected Bibliography - For High School Students (Non-Fiction)

N = Non-Fiction F = Fiction B = Biography

Class	Author	Title	Publisher	Date
N	Caewin and Hidy, eds.	Individual Enterprise and National Growth	Heath	1967
N	Chandler, A., ed.	Giant Enterprise: Ford, General Motors and the Automobile Industry	Harcourt	1964
N	Cochran, Thomas, et al	The Age of Enterprise	Harper & Row	1965
N	Ellul, Jacques	Technological Society	Random House	1967
B	Fanning, Leonard	Men, Money & Oil: The Story of an Industry	World	1966
N	________	Profits and the American Economy	Dept. of Commerce	1965
N	Korey, E. L.	Business and the American Way	Oxford	1962
N	Mills, C. Wright	The Power Elite	Oxford	1956
N	________	You and Your Investment World	New York Stock Exchange	1967
N	New York Times	How to Read and Understand Financial and Business News	Doubleday	1963
N	Packard, Vance	The Waste Makers	Pocket Books	1960
N	Paradis, Adrian	Business in Action	Messner	1962
N	Smith, Adam	The Money Game	Dell	1969

Selected Bibliography for Teachers

Author	Title	Publisher	Date
Cochran, Thomas	Basic History of American Business	Anvil	1959
Cross, Theodore	Black Capitalism: Strategies for Business in the Ghetto	Atheneum	1969
Galbraith, John K.	The New Industrial State	Houghton Mifflin	1967
Haddad, William, et al (ed.)	Black Economic Development	Prentice Hall	1969
Kohlmeier, Louis	The Regulators	Harper & Row	1969
Whyte, William	The Organization Man	Doubleday	1966

Audo-Visual Materials

Films:

	American Business System	National Educational Television Network
	Age of Specialization	McGraw-Hill
	American Business System	
	Can the Earth Provide?	McGraw-Hill
108.94	Case for Competition	
	Competition in Business	Coronet Instructional Films
	Growth of Big Business in America	Coronet Instructional Films
	Industries of the Future	Mc-Graw Hill
	Meaning of the Industrial Revolution	Coronet Instructional Films
497.3	Productivity's Key to America's Growth	Sutherland Films
	The Modern Corporation	Sutherland Films
	The Managerial Revolution	National Industrial Conference Board
657.381	What is Automation?	
	What Makes Us Tick?	New York Stock Exchange

Filmstrips:

51580.13	Competition	
43405.12	Industrial and Agriculture Expansion	
51580.11	Private Capital	
	Profit and Cost Equilibrum: Series II	McGraw-Hill
51580.12	Profit Motive	

	American Business System	National Educational Television Network
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51580.12	Profit Motive	
	Squandered Resources	New York Times
	Supply and Demand: Series II	McGraw-Hill
	The Role of Capital Investment	Joint Council on Economic Education

__Records__:

American Industrial Ballads	Folkways LP, FH 5251
American Industrial Folksongs	Riverside LP, RLP 12-607

__Simulation Games__:

BMG	Western Behavior Science Institute	La Jolla, Calif.

THEME III: HOW INCOME IS DISTRIBUTED IN OUR MARKET ECONOMY

Introduction

While our economy is often referred to as an "affluent society," affluence has not come easily nor has it been shared by all.

The materials in this unit are designed to help students realize that poverty is real to many Americans and that they must become a part of the "war on poverty."

Some Americans who have "made it" have done so through a long process of struggle. Materials are developed showing the growth of the labor movement and some of the problems posed today.

In this theme learning activities are centered around two significant problems:

I. How have we tried to cope with the problems of poverty in affluence?

II. What is the role of labor in the United States?

I. HOW HAVE WE TRIED TO COPE WITH THE PROBLEMS OF POVERTY IN AFFLUENCE?

Emphases: Poverty exists in all areas of this nation yet may seem hidden to the mass of people.

The "War on Poverty" must be joined by both private and public agencies to be effective.

A. Using investigation of a sociologist to understand why the poor are so difficult to identify.

> The other America, the America of poverty, is hidden today in a way that it never was before. Its millions are socially invisible to the rest of us....
>
> There are perennial reasons that make the other American an invisible land.
>
> Poverty is often off the beaten track. It always has been. The ordinary tourist never left the main highway, and today he rides interstate turnpikes. He does not go into the valleys of Pennsylvania where the towns look like movie sets of Wales in the thirties. He does not see the company houses in rows, the rutted roads (the poor always have bad roads whether they live in the city, in town, or on farms), and everything is black and dirty. And even if he were to pass through such a place by accident, the tourist would not meet the unemployed men in the bar or the women coming home from a runaway sweatshop.

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Then, too, beauty and myths are perennial masks of poverty. The traveler comes to the Appalachians in the lovely season. He sees the hills, the streams, the foliage - but not the poor. Or perhaps he looks at a run-down mountain house and, remembering Rousseau rather than seeing with his eyes, decides that "those people" are truly fortunate to be living the way they are and that they are lucky to be exempt from the strains and tensions of the middle class. The only problem is that "those people," the quaint inhabitants of those hills, are undereducated, underprivileged, lack medical care, and are in the process of being forced from the land into a life in the cities, where they are misfits....

Now the American city has been transformed. The poor still inhabit the miserable housing in the central area, but they are increasingly isolated from contact with, or sight of, anybody else. Middle-class women coming in from Suburbia on a rare trip may catch the merest glimpse of the other America on the way to an evening at the theater, but their children are segregated in suburban schools. The business or professional man may drive along the fringes of slums in a car or bus, but it is not an important experience to him. The failures, the unskilled, the disabled, the aged, and the minorities are right there, across the tracks, where they have always been. But hardly anyone else is.

In short, the very development of the American city has removed poverty from the living emotional experience of millions upon millions of middle-class Americans. Living out in the suburbs, it is easy to assume that ours is, indeed, an affluent society....

Clothes make the poor invisible too: America has the best-dressed poverty the world has ever known. For a variety of reasons, the benefits of mass production have been spread much more evenly in this area than in many others. It is much easier in the United States to be decently dressed than it is to be decently housed, fed, or doctored....

Then, many of the poor are the wrong age to be seen. A good number of them (over 8,000,000) are sixty-five years of age or better; an even larger number are under eighteen. The aged members of the other America are often sick, and they cannot move. Another group of them live out their lives in loneliness and frustration: they sit in rented rooms, or else they stay close to a house in a neighborhood that has completely changed from the old days. Indeed, one of the worst aspects of poverty among the aged is that these people are out of sight and out of mind, and alone.

The young are somewhat more visible, yet they too stay close to their neighborhoods. Sometimes they advertise their poverty through a lurid tabloid story about a gang killing. But generally they do not disturb the quiet streets of the middle class.

And finally, the poor are politically invisible. It is one of the cruelest ironies of social life in advanced countries that the dispossessed at the bottom of society are unable to speak for themselves. The people of the other America do not, by far and large, belong to unions, to fraternal organizations, or to political parties. They are without lobbies of their own; they put forward no legislative program. As a group, they are atomized. They have no face; they have no voice....

That the poor are invisible is one of the most important things about them. They are not simply neglected and forgotten as in the old rhetoric of reform; what is much worse, they are not seen.

(From The Other America, Michael Harrington, 1962.)

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Questions for Inquiry and Discovery

1. What factors have contributed to making the poor in the United States "invisible"?

2. Which factor will be easiest to overcome? Why?

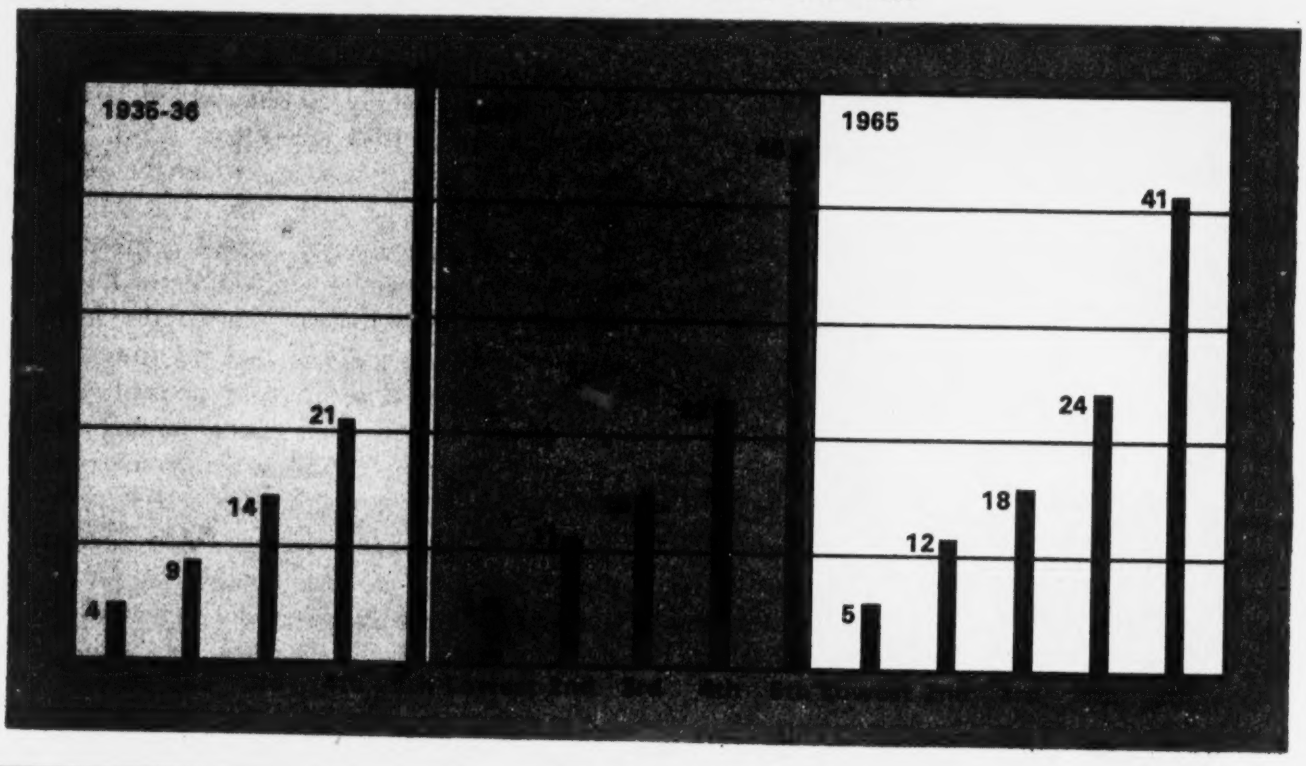
3. Which will be the most difficult? Why?

Questions for Small Group Discussion

1. New York commuter trains carry the following urban coalition signs:
   "When this train gets to 125th Street look out the window. Give a Damn."
   Why have these signs been posted? What effect might they have?
2. How does poverty affect the growth and development of American society?
3. To what extent is the poverty of today different from the poverty of the 1900's?
4. What does Mr. Harrington mean when he states that millions of Americans are "maimed in body and spirit"?
5. What do people mean when they say that the poor are caught in a vicious cycle and live in a "culture of poverty"?

Follow-up Activity

FAMILY INCOME BY FIFTHS, 1935-1936, 1947, AND 1965



(From The World of Economics, Silk and Saunders, McGraw-Hill, 1969.)

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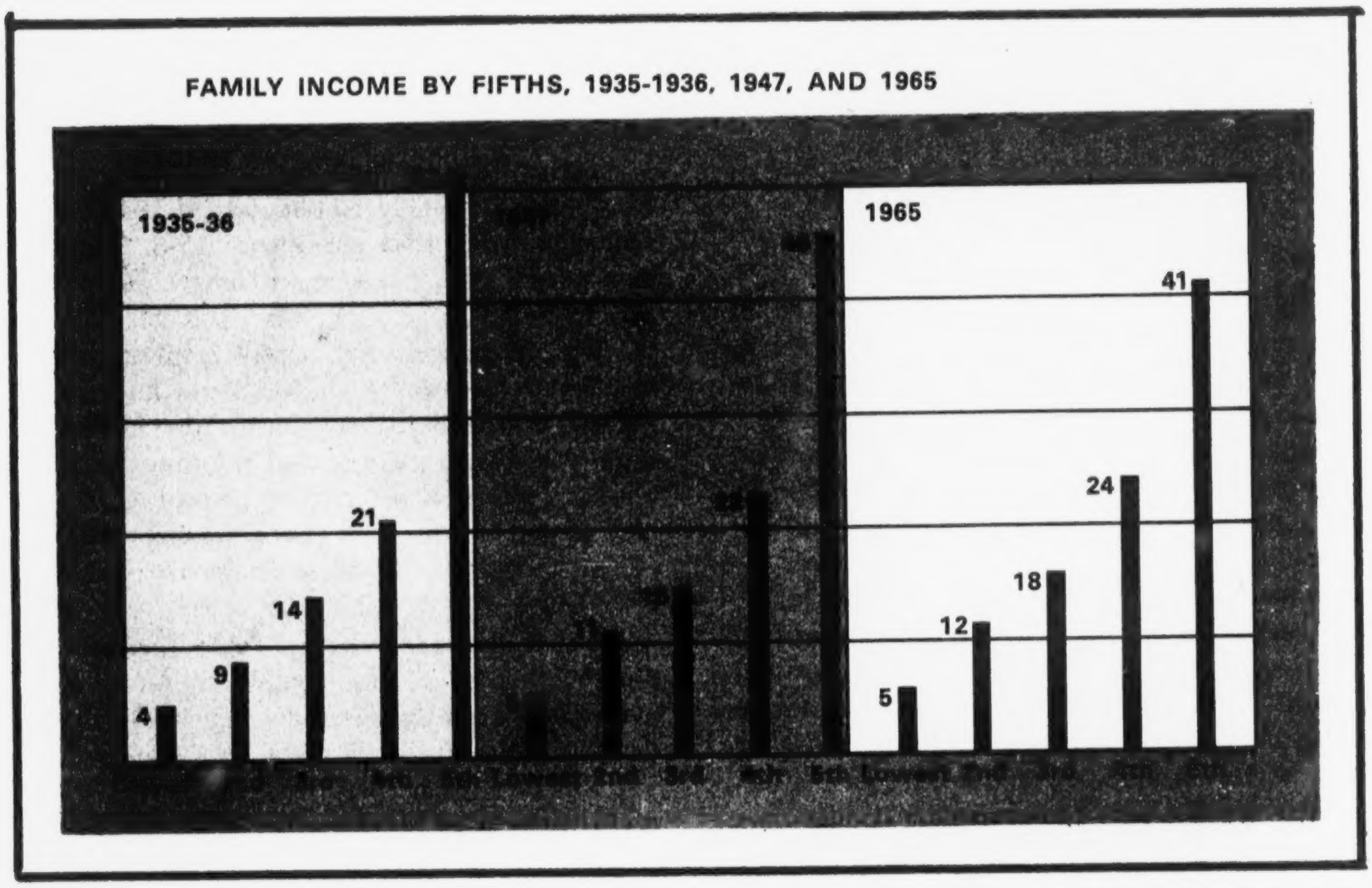

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Questions for Inquiry and Discovery

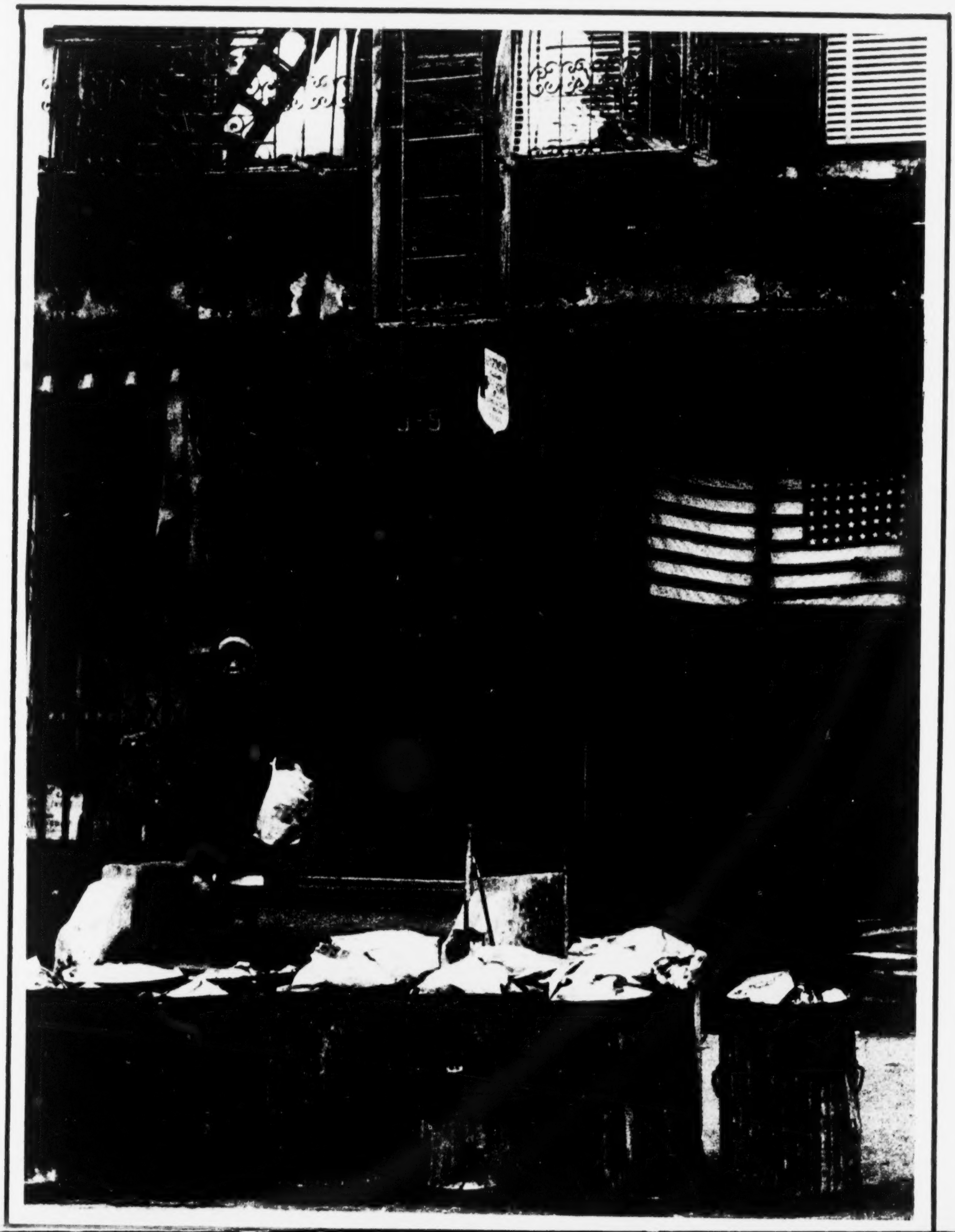
1. What has been the trend of income distribution for the top 20 percent of United States families?

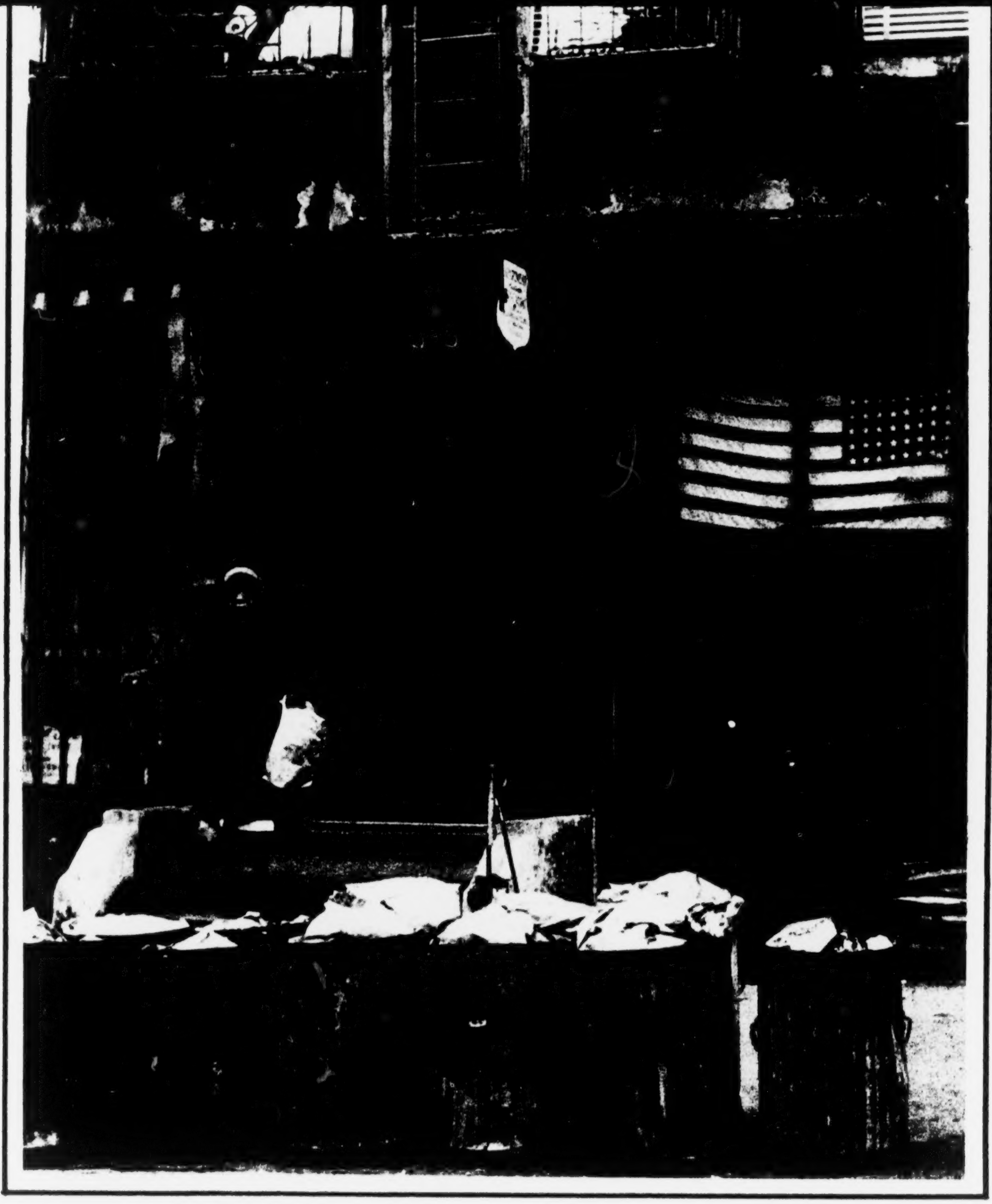
2. How has this trend affected the share of the income "pie" earned by the middle 60 percent of United States families?

3. How has it affected the income of the lowest fifth of American families?

4. What problems are suggested by the above graphs?

*B. Using photographs to discover who the poor are.





New York City

(Source: First National City Bank)

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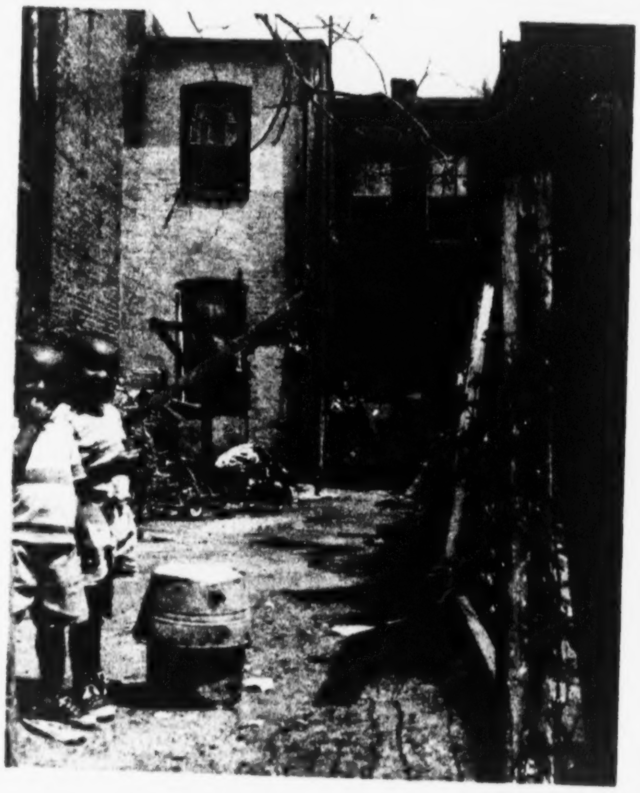
*Recommended for Students Achieving Below Grade Level.

--OEO Photo by Ralph Matthews, Jr.

SOUTHERN APPALACHIA

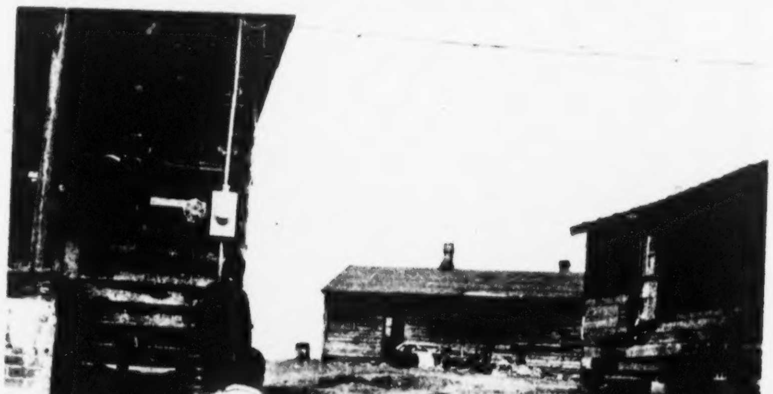
--USDA

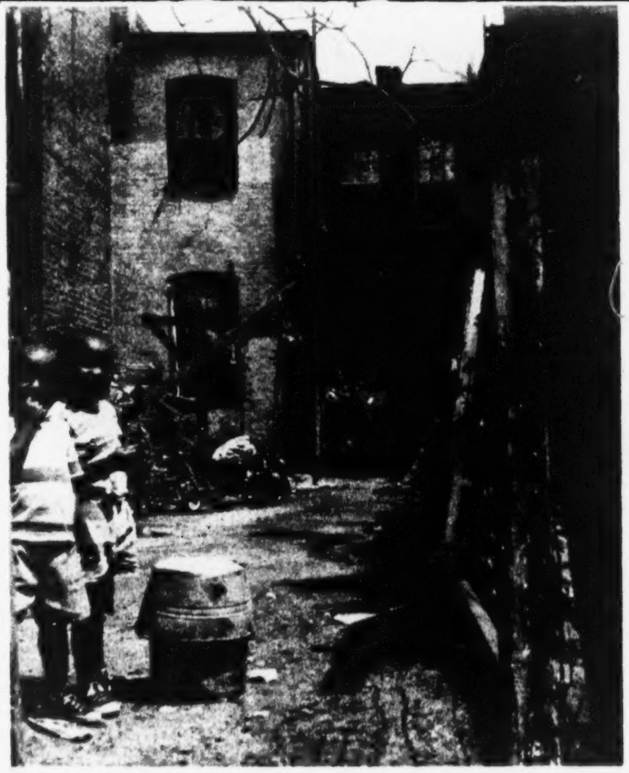
COTTON PICKER,
BETHLEHEM, GEORGIA, 1965



--D.C. Redevelopment Land Agency

WASHINGTON, D.C.



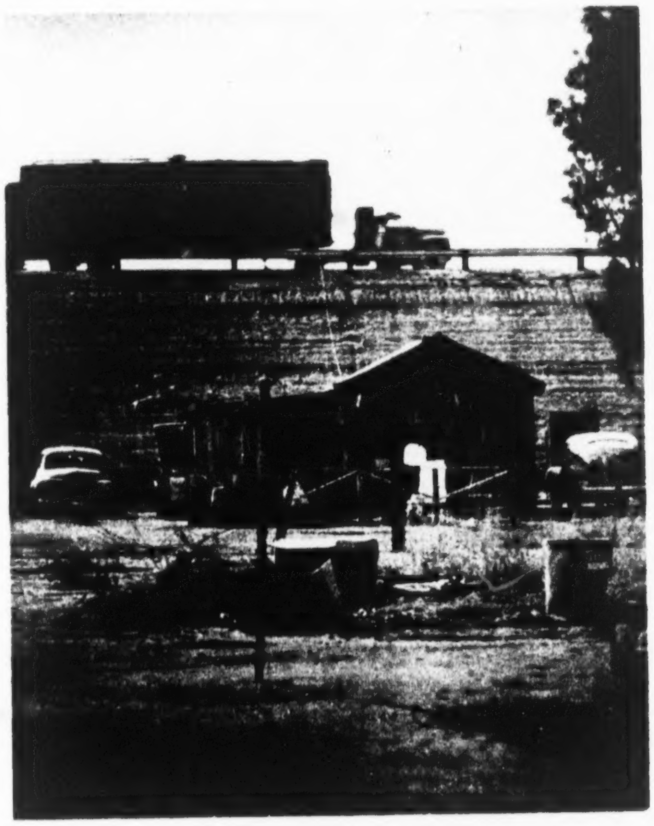


--D.C. Redevelopment Land Agency

WASHINGTON, D.C.

--USDA

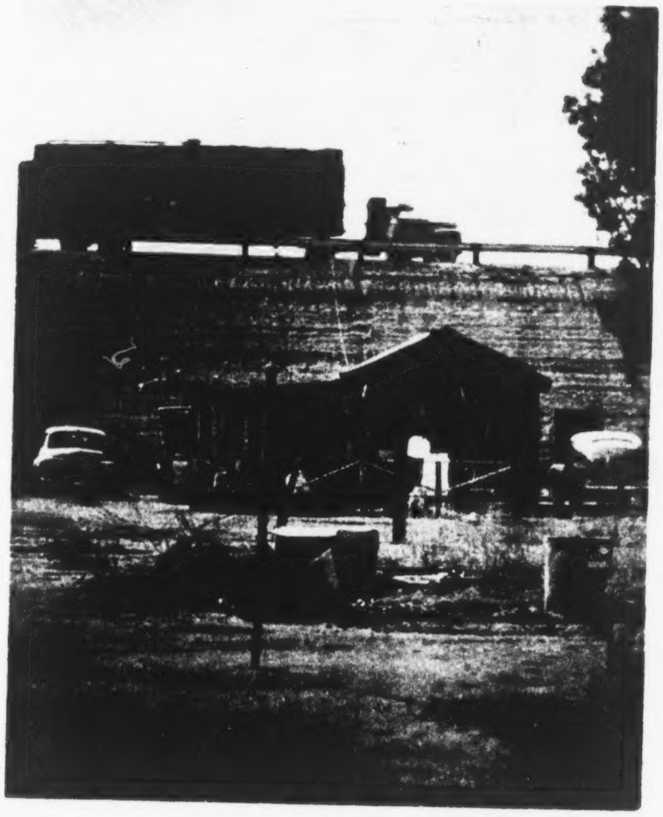
WINDER, GEORGIA, 1965



--OEO

HOME OF MIGRANT WORKER

--USDA



--OEO

HOME OF MIGRANT WORKER

--USDA

DEER LODGE, TENNESSEE, 1965

Questions for Inquiry and Discovery

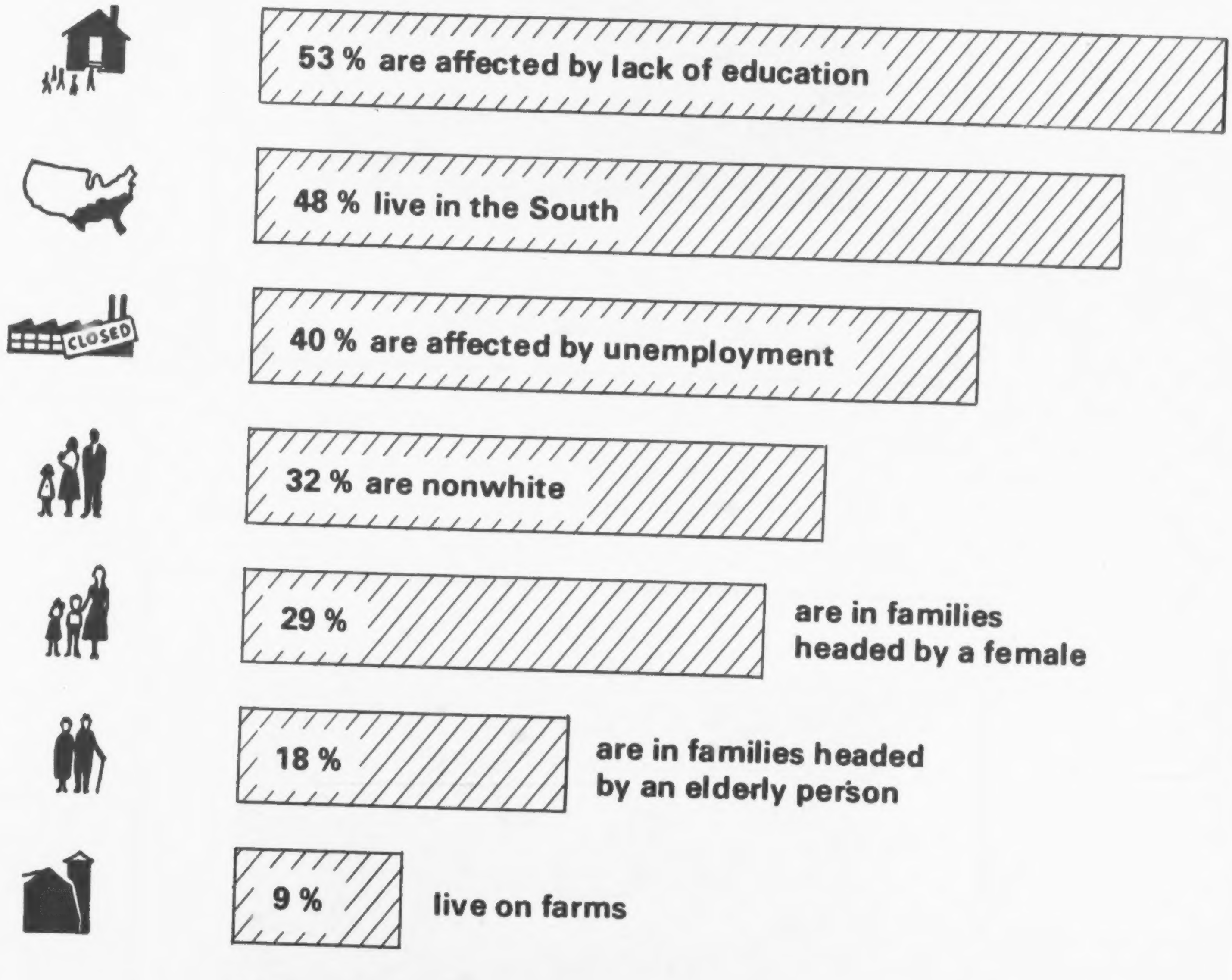
1. What reasons for low incomes are evident from these pictures?
2. How does each picture tell us that the people are poor?
3. What factors led to the poverty illustrated?
4. How might we define poverty from these pictures?

Follow-up Activities

*1. Have class gather data to show the classification of poverty by: geographic location, race, family size, occupation, education. This can be compared to the chart below. The questions can be used to elicit from the class the understanding of who are the poor as well as for the development of graph reading skills.

Who Are the Poor?

Of the 30 million U.S. poor:



Note: Many of these people fall within two or more categories

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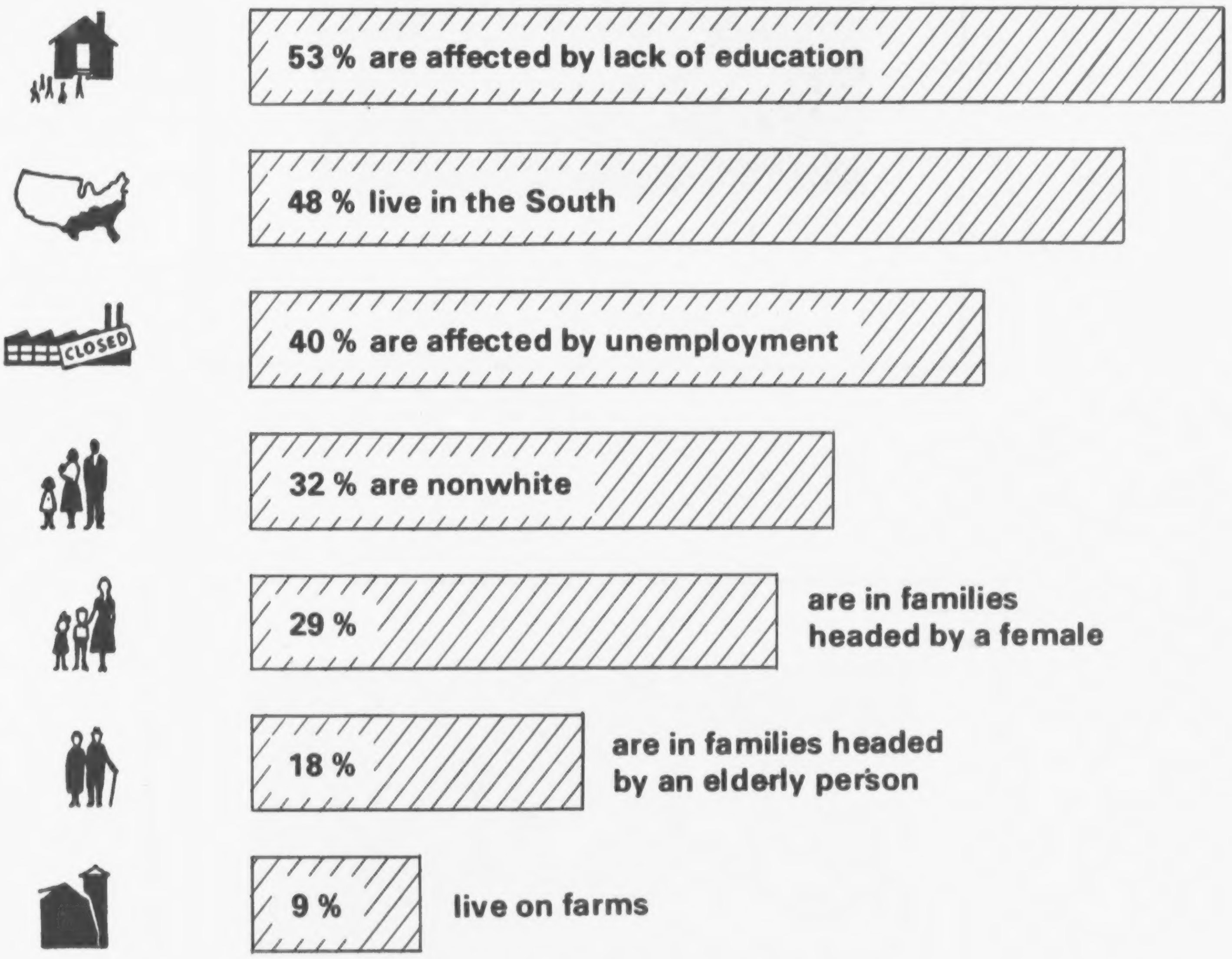

Note: Many of these people fall within two or more categories.

Based on 1966 statistics

Source: Conference on Economic Progress

AEP LINEMASTER: American Education Publications grants permission to duplicate this page for classroom use. **USES**: (1) Make into a transparency. (2) Make into a spirit master for multiple copies (3) Use with an opaque projector. (4) Display on bulletin board

IS IT TRUE? Check the statements that are supported by the above graph.

......1. Lack of education is a major cause of poverty.
......2. Most poor people are unemployed.
......3. Few farmers are classified as poor.
......4. There is more poverty in the southern part of the United States than in the North.
......5. The majority of the nonwhite population lives above the poverty level.
......6. There are more poor whites than there are poor nonwhites.
......7. Most elderly people live in comfort.

---

*Recommended for Students Achieving Below Grade Level.

*2. Using case studies to discover who the poor are.

1) Jim Cowles: Age 26, married, three children.
Income: $70 a week, when employed. Often idle for several weeks at a time.

Annual earnings: About $3,000.

Education: Dropped out of school after finishing ninth grade.

Skills and Training: Unskilled construction worker.

Housing: Lives in a run-down one-bedroom apartment.

2) Mary and Thomas Johnston: Negro, married, no children.
Income: Mrs. Johnston and her husband earn a penny and a half a vine clearing dried growth away from grape vine stocks. They earn around $5 per day when there is work.

Education: No formal education.

Skills and Training: Migrant farm workers.

Housing: Converted chicken coop on Route 5, Portland, New York. Coop is three stories tall, and at the height of the growing and harvesting season houses 400 migrant workers. It has neither running water nor inside plumbing. Cooking is done on small gas hot-plates placed near thin wooden walls. Unlike most migrant workers, Mr. and Mrs. Johnston live in the chicken coop throughout the winter.

3) Jack Rothstein: Retired, 76 years old, in good health.
Income: Less than $1,500.

4) Mrs. Catherine Stone: Widowed, over 60 years of age, in good health.
Income: Less than $1,500.

5) Locket Mayze: 59-year-old Negro, married, 8 children.
Income: Earned $15 a week as a farm laborer in Greenville, Mississippi, before $1-an-hour minimum farm labor wage law was passed. Unemployed since law was passed. Mechanized cotton sorter was purchased to do the work formerly done by Mr. Mayze. According to Mr. Mayze, he cannot remember when he last had a dollar in his pocket or when - with the exception of a hog's head given him by a friend - his wife and eight children had eaten anything other than surplus farm goods distributed by the United States Department of Agriculture.

6) Juan Perez: 47 years old, married, 4 children.
Income: Under $2,000 a year. At the time he was interviewed, Mr. Perez owned two pairs of pants. One was at the cleaners but could not be claimed as he did not have the money needed to pay for the cleaning.

Skills and Training: Works as trucker's helper for $1.25 an hour when work is available.

Housing: Gets 5-room apartment rent free for acting as janitor of seven-story building in New York City.

7) Bill Harris: Married, 8 children.

Education: Dropped out of school after finishing ninth grade.

Skills and Training: Unskilled construction worker.

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7) Bill Harris: Married, 8 children.
Income: Worked in coal mines until mines were abandoned. Made $400 in 1963 at odd jobs. Receives monthly food allotment of four 10-pound bags of flour, seven 5-pound bags of cornmeal, ten pounds of lard, two large boxes of two large boxes of cereal, three small bags of rice, ten pounds of cheese, ten large cans of chopped meat and seven boxes of powdered milk.

Education: Left school at fourth grade.

Skills and Training: Miner.

Housing: Lives in Rock Castle Creek, Kentucky, a rural area in the Appalachian Mountains. Draws water from nearby stream. The family takes turns eating as they have but three chairs.

*Recommended for Students Achieving Below Grade Level.

Questions for Inquiry and Discovery

1. What characteristics make it difficult for Jim Cowles to find work at a good wage?

2. Why were Jane and Thomas Johnston limited in the type of employment they could get?

3. What unique problem does Bill Harris have?

4. What other characteristics described here contribute to individual and family poverty.

Note: Place the descriptions on cards and distribute to students. Ask them to tell why this person earns a low income.

Variation: Include descriptions of people of middle and upper incomes.
Ask students: Which people are poor?
What characteristics account for their poverty?

C. Using and interpreting statistical data to discover the factors related to poverty.

Number of Poor Households and Incidence of Poverty

Characteristics of Head of Household	(Millions)				(% of total in category)			
	1959	1961	1964	1967	1959	1961	1964	1967
Total poor households	13.4	13.0	11.9	10.2	24.0	27.6	19.9	16.2
Head 65 years and over	3.9	3.9	3.8	3.8	48.6	43.8	40.0	36.3
Head under 65 years	9.4	9.1	8.0	6.4	19.8	18.8	16.0	12.2
Individuals	2.6	2.4	2.3	2.2	36.8	33.9	28.3	27.0
White	1.9	1.8	1.8	1.6	32.9	29.7	25.8	24.4
Male	.6	.6	.6	.5	24.6	22.8	20.1	18.0
Female	1.3	1.2	1.2	1.1	39.1	35.2	30.1	29.0
Non-white	.7	.7	.5	.5	54.8	55.0	45.1	40.1
Male	.3	.3	.2	.2	47.1	45.5	34.6	29.4
Female	.4	.4	.3	.3	63.5	66.8	58.1	51.7

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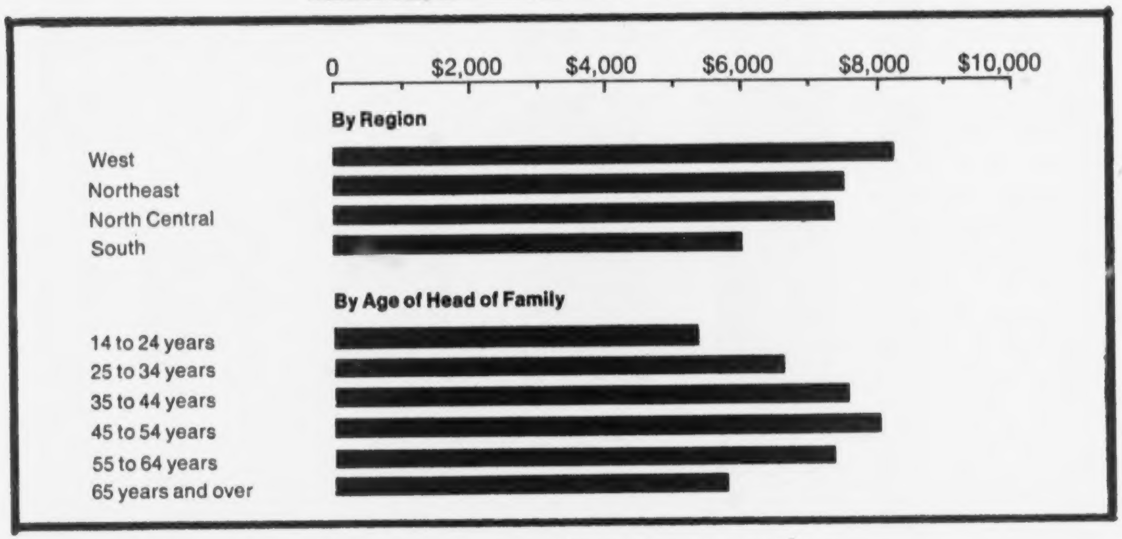
Head under 65 years	9.4	9.1	8.0	6.4	19.8	18.8	16.0	12.2
Individuals	2.6	2.4	2.3	2.2	36.8	33.9	28.3	27.0
White	1.9	1.8	1.8	1.6	32.9	29.7	25.8	24.4
Male	.6	.6	.6	.5	24.6	22.8	20.1	18.0
Female	1.3	1.2	1.2	1.1	39.1	35.2	30.1	29.0
Non-white	.7	.7	.5	.5	54.8	55.0	45.1	40.1
Male	.3	.3	.2	.2	47.1	45.5	34.6	29.4
Female	.4	.4	.3	.3	63.5	66.8	58.1	51.7
Families	6.8	6.7	5.7	4.2	16.8	16.1	13.3	9.5
White	4.9	4.7	4.0	2.8	13.4	12.6	10.4	7.1
Male	3.8	3.7	3.0	2.0	11.4	10.7	8.5	5.4
Female	1.1	1.0	1.0	.8	35.9	33.9	31.2	25.3
Non-white	1.9	2.0	1.7	1.4	48.6	47.8	27.8	29.9
Male	1.3	1.3	1.1	.7	42.1	40.2	32.3	20.9
Female	.6	.7	.6	.7	71.3	72.8	62.4	54.9

(Source: 1969 Economic Report of the President)

Questions for Inquiry and Discovery

1. What has been the trend for the number of people in poverty since 1959?
2. What has been the trend for the incidence of poverty?
3. What is the relationship between age and poverty?
4. What is the relationship between the sex of the head of the family and the evidence of poverty?
5. How great a factor is race in the poverty picture?
6. What are the major categories where the incidence of poverty is the greatest?

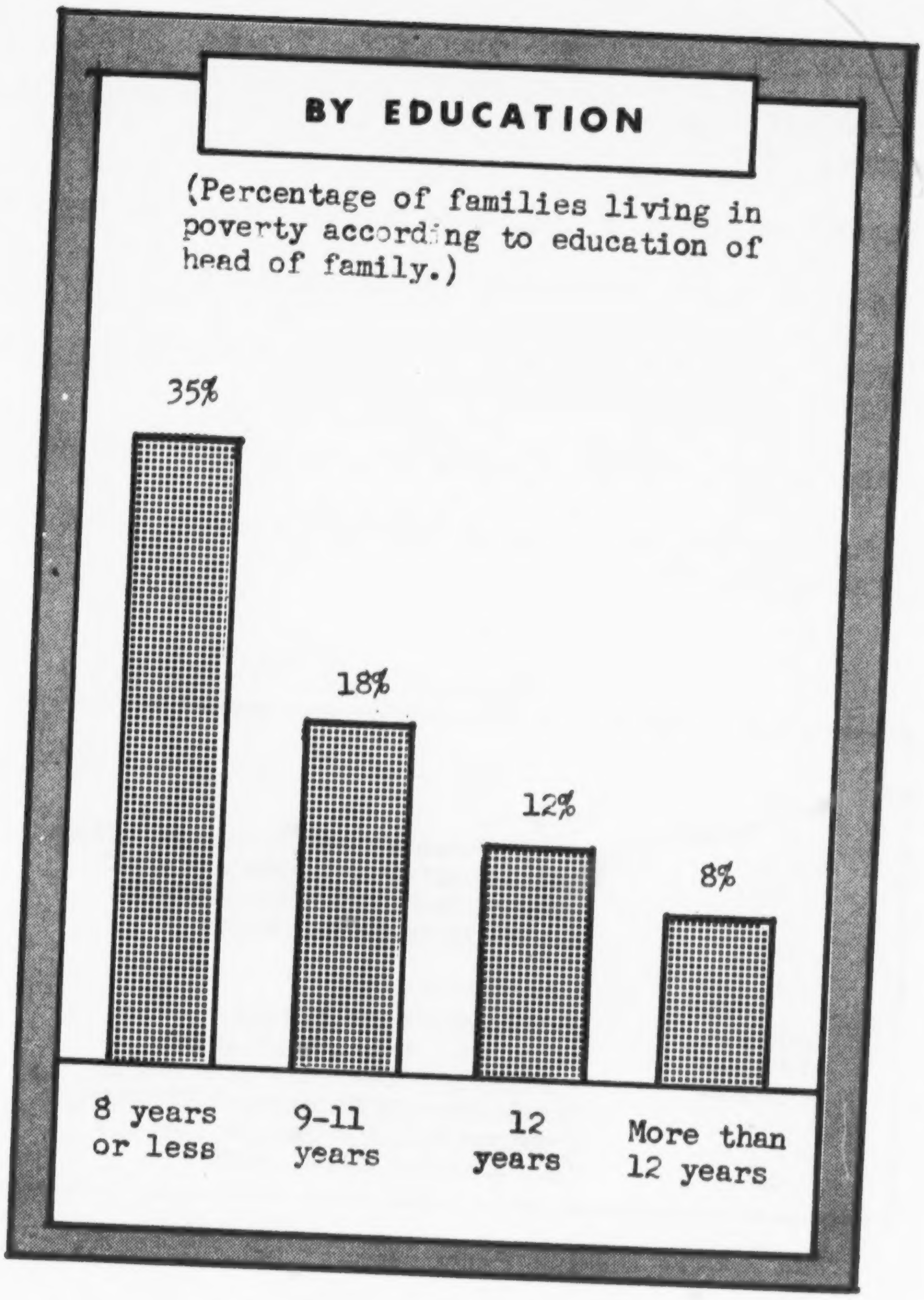
Profile of Median Family Income



(Source: National Industrial Conference Board)

Questions for Inquiry and Discovery

1. In what area of the United States would you expect to find the greatest incidence of poverty? Why?
2. Among what age groups would you concentrate your efforts to deal with the problems of poverty?



(Source: New York Times)

1. What is the relationship between education and poverty?
2. What programs to fight poverty are suggested by the above graph?

Income White and Negro Men, Selected Occupations (1960)

Occupation	Number Negro Workers (,000)	%Occupation that is Negro	Median Earnings White	Median Earnings Negro
Men Employed	3,644,000	8.4%	$4,855	$2,703
Engineers	4	.5	7,452	7,076
Medical and health workers	12	3.4	7,953	4,642
Farmers	154	6.5	2,324	788
Farm Laborers	257	21.4	1,256	816
Managers and proprietors	63	1.4	6,719	3,869
Sales workers	47	1.6	5,036	2,809
Construction	120	5.5	4,839	2,855
Foremen	16	1.5	6,651	4,791
Trucking	248	12.7	4,539	2,638

(Source: 1969 Economic Report of the President)

Questions for Inquiry and Discussion

1. What can you discover about poverty in relation to age, sex and family status, and education?
2. How do you explain these relationships?
3. What significant differences do you see between white and non-white statistics on poverty? How do you explain these differences?
4. What is the difference between farm and non-farm income? How do you account for these differences?
5. How can you explain the variation of income in different geographic regions of the United States?

Questions for small group discussion

1. What set of figures do you consider to be the most significant? Why?
2. What figures surprised you the most? Why?
3. What figures seem most difficult to explain? Why?
4. How can these figures be used to plan programs of action against poverty?

D. Using first person accounts to understand the plight of the poor.

I

Poverty is a personal thing!

Poverty is taking your children to the hospital and spending the whole day waiting with no one even taking your name, and then coming back the next, and the next, until they finally get around to you.

Poverty is having a landlady who is a public health nurse who turns off the heat when she leaves for work in the morning and turns it back on at six when she returns. It's being helpless to do anything about it because by the time the officials get around to it, she has turned the heat back on for the day and then it will be off the next....

Poverty is having a child with glaucoma and watching that eye condition grow worse every day, while the welfare officials send you to the private agencies, and the private agencies send you back to the welfare, and when you ask the welfare officials to refer you to this special hospital, they say they can't - and then when you say it is prejudice because you are a Negro, they deny it flatly and they shout at you: "Name one white child we have referred there." When you name twenty-five, they sit down, and they shut up, and they finally refer you, but it is too late.

(Source: House Committee on Education and Labor. April 12, 1965. Quoted in Problems in American History, Cox, Koberna, Nassif, Wiley & Sons 1969.)

Questions for Inquiry and Discovery

1. What problems are described by the speaker?

2. What factors have contributed to this condition?

3. According to the speaker, are poor people treated as people or as problems? Explain.

II

Thursday, February 13. I couldn't get up this morning. The house was so cold that I came out of bed at 7:15. I heated some water. I leave the oven light up all night because the heater gave up. I fixed some oatmeal, eggs and some Ovaltine for the girls. I had some coffee. I clean the house. The baby was sleeping. Later on, the inspector came. They were supposed to come to every apartment and look at all violations. They knock at the door and asked if anything had been fixed. I think even the inspectors are afraid of this slum conditions that's why they didn't dare to come inside. I don't blame them. They don't want to take a rat or any bug to their houses, or get dirty in this filthy houses.

We had for dinner chicken with rice, soup and salad. The girls has cake. After they ate they did their homework and wash the dishes. At 8:30 I went downstairs to a meeting we had. We discuss about why there is no heat. We agreed to give $10 to fix the boiler for the oil. A man is coming to fix it. I came upstairs and had some coffee and a little later on everybody went to bed. I hope everybody give the $10 so we have some heat soon.

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Friday, February 14. I didn't write this about Friday in my book until this Saturday morning, because Friday night I sick and so cold I go to Bed and could not write in the book. But this about Friday. I got up at five and light the oven and put some water to heat. At seven I called the two oldest girls for school. I didn't send the little one, because she was coughing too much and with a running nose. I gave some baby aspirin and put some vick in her nose and chest and I gave some hot tea. I leaved her in bed.

It was so cold in here that I didn't want to do nothing in the house. I fixed some soup for lunch and read for a while in the kitchen and after a while I went out and cleaned the hallway. I didn't mop because there was no hot water, but at least the hallway looked a little clean.

Later on I fixed dinner I was not feeling good. I had a headache and my throat hurt. I hope I do not catach a cold. I hope some day God help me and all this experience I had be restore with a very living and happiness. It is really hard to believe that this happens here in New York and richest city in the world. But such is Harlem and hope. Is this the way to live. I rather go to the Moon in the next trip.

(From "Diary of a Rent Striker," Francis Sugrue, in The New York Herald Tribune, February 16, 1964. p. 28.)

Questions for Inquiry and Discovery

1. What are the major problems described?
2. Why might these conditions lead to a rent strike? Would it be justified?
3. How would these experiences shape the writers attitudes toward her future in Spanish Harlem?
4. How does poverty shape the life of the poor?

Questions for small group discussion

1. What are the social consequences of poverty?
2. Why are the poor treated in the manner they relate?

Follow-up Activity

Students can interview a minority group family in New York to find out what special problems minority groups encounter in employment, housing, etc. How do they view the problem? How should it be solved?

III

Welch, W. Va. This town, smaller than Princeton, and deeper in the mountains, has an uncertain future.

There is a bit of prosperity right now. Store sales, newspaper advertising and practically all other small-town indexes of economic activity are rising here about as fast as in the rest of the nation.

Imbedded in Welch and the surrounding area of McDowell County, however, are the age-old poverty and unemployment of people back in the mountains.

Automation of the coal mines has provided highly paid jobs to a limited number, but no new industry has come in. Welch and the whole county depend solely on coal. Unemployment is down from the 1960 rate of 25 per cent, but it still is 12 per cent of the work force.

A new house was built in Welch five years ago, and it was such an unusual

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A new house was built in Welch five years ago, and it was such an unusual event that it was front-page news. Since then, no more than four or five homes have been put up.

"What we need and could support is small industry, such as a plant that builds simple components for a big company," said Roland L. Taylor, editor and publisher of "The Welch Daily News." "If they ever get the road program started, it may be possible to bring in something like that.

"But, after all, why would a company want to settle here when they are getting offers from rich little towns all over the South? We have almost no flat land, no interstate highways, very little in the way of a sewerage system for industry. People talk about recreation up here. There's only one stream in the county where the fish have not died off because of mine pollution."

Mr. Taylor was asked whether the Appalachian development programs have helped Welch. "Not a thing has been changed," he replied. "When the Office of Economic Opportunity came in 1964, two ministers and I got a program started. The first year we got a grant of $940,000, the largest single rural grant up to then.

"We set up community centers all over the county. Women were to learn cooking, dietetics, hygiene, sewing, and better handling of money. Professional home economists came to teach. We had welfare counseling - advising poor families how to get along.

"We spent 3 million dollars in four years, and I can't tell you of a single solitary thing it accomplished. We have paid a lot of staff members, local people, to accomplish very little. If women wanted to learn, they would have done so without the program. A few women have learned a few things, but that's all.

"The Head Start program for preschool children is different," Mr. Taylor went on. "It has been a big success. Some of these children had never seen a book, or even a paved sidewalk, until they got into the Head Start program.

"We have a fine vocational school here. McDowell County established it in 1942, and it has been solely a county project ever since."

Mr. Taylor told how he and others in the Economic Opportunity effort concentrated at one time on Bottom Creek as a special project.

A community of hovels next to a creek bed, Bottom Creek was, and is, one of the worst pockets of poverty and unemployment in the nation. A battery of projects was focused on the hamlet, with the hope that they would lift living standards and change the people.

"I'd say the results were nil," Mr. Taylor said. "Maybe some of the young people have been helped a little. The older generation is hopeless.

"My personal opinion is that a majority of our unemployed are like that. We have a labor shortage along with high unemployment. The mines are begging for help. But everything in the mines today requires skill, and the unemployed here are unskilled. There are training programs for them, but they aren't going to try to learn any skills.

"An unemployed father can get the equivalent of $300 a month in welfare and food stamps. They are supposed to take jobs when any are available, but they somehow manage to avoid it. They have a pain or an ache or some other reason why they can't work.

"Welch is not going to grow. In 60 years, the coal around here will be mined out. That's what the coal companies estimate. Then the town will die."

(From U.S. News and World Report. July 29, 1968. Vol. LXV. No. 5. Pp. 52 and 53.)

Questions for Inquiry and Discovery

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Questions for Inquiry and Discovery

1. What was the major cause of poverty for the people in Welch?

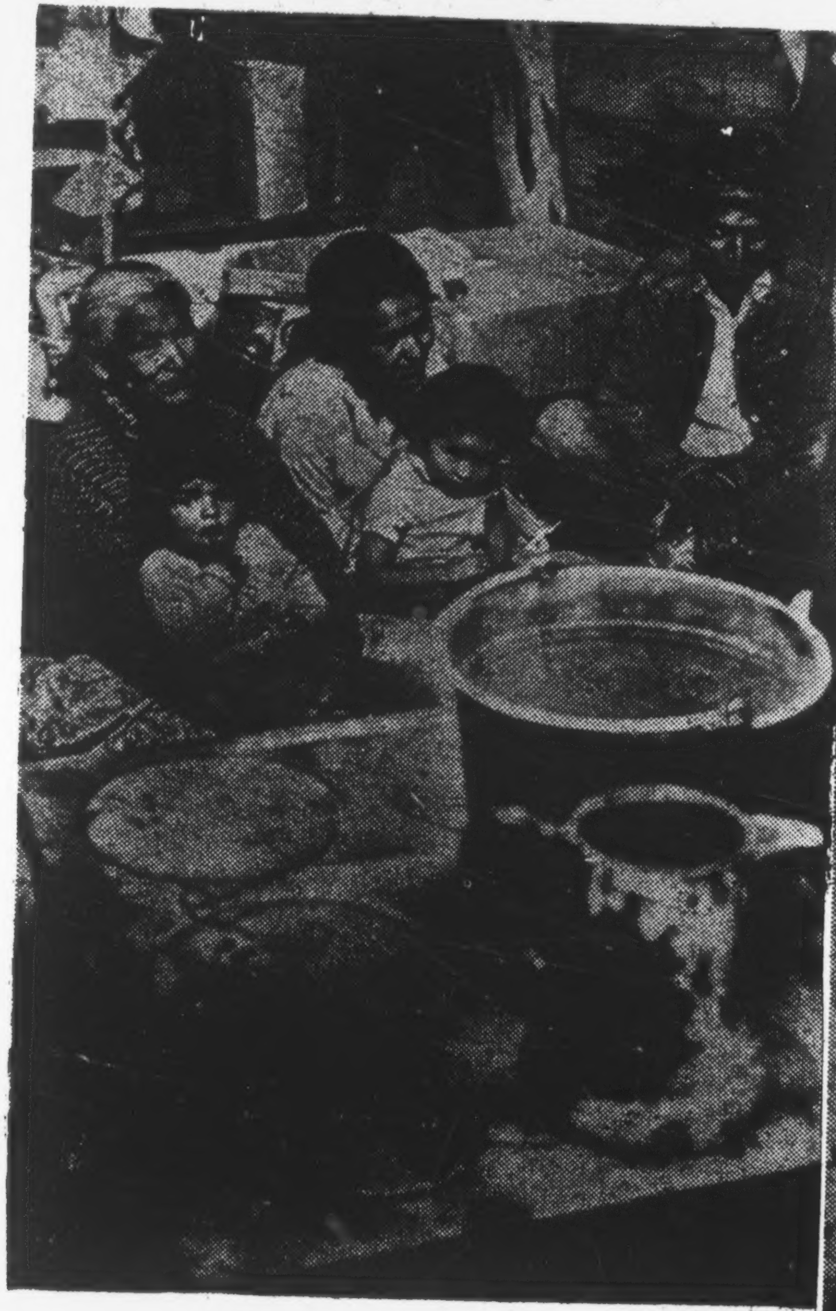
2. How does it differ from the first two accounts? How are they similar?

3. Which would be most difficult to eliminate? Why?

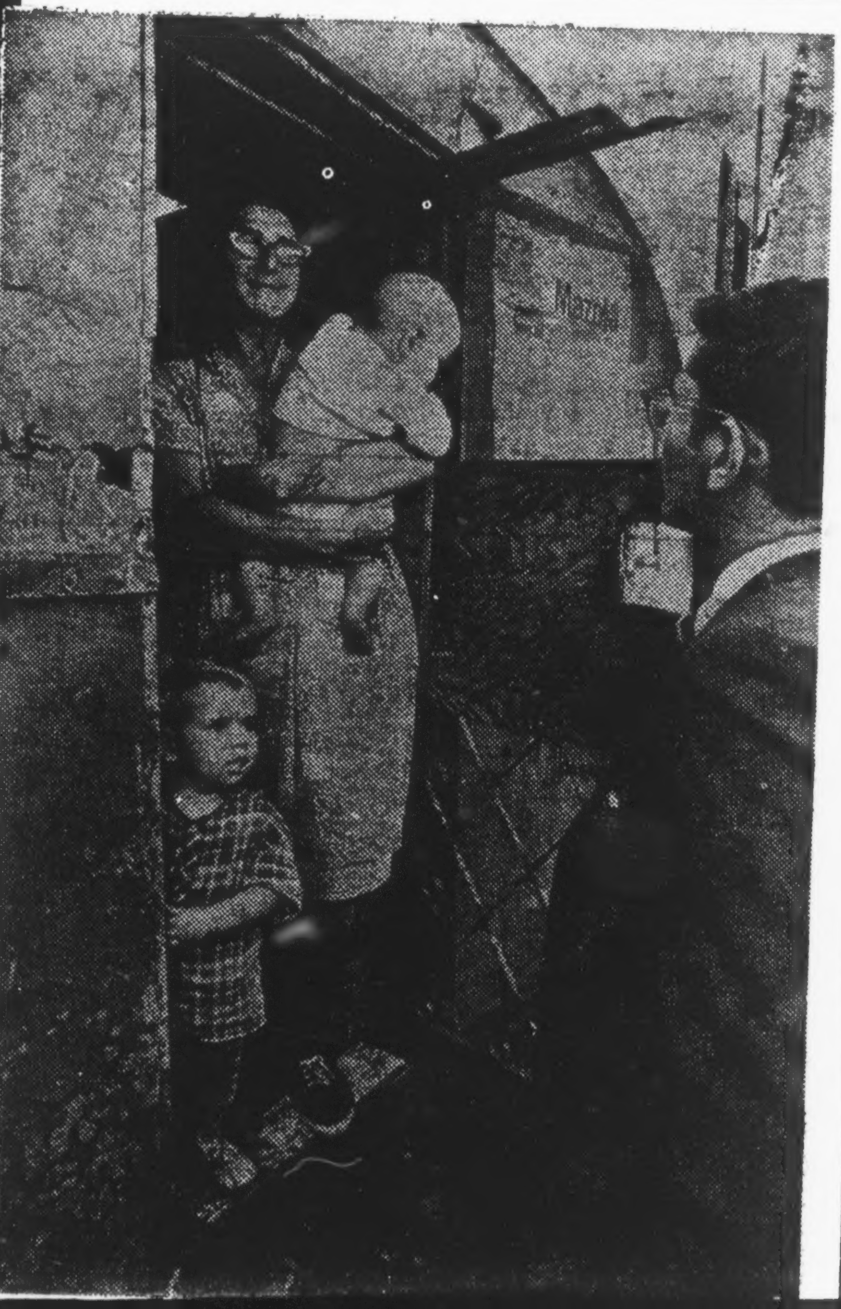
4. Which is more oppressive? Why?

E. Using pictures and cartoons to understand the problems of hunger in the United States.

A Navajo Indian family in their hogan in Arizona. Many Navajo children are permanently stunted by hunger, and in classrooms their attention spans are abnormally limited.



Associated Press



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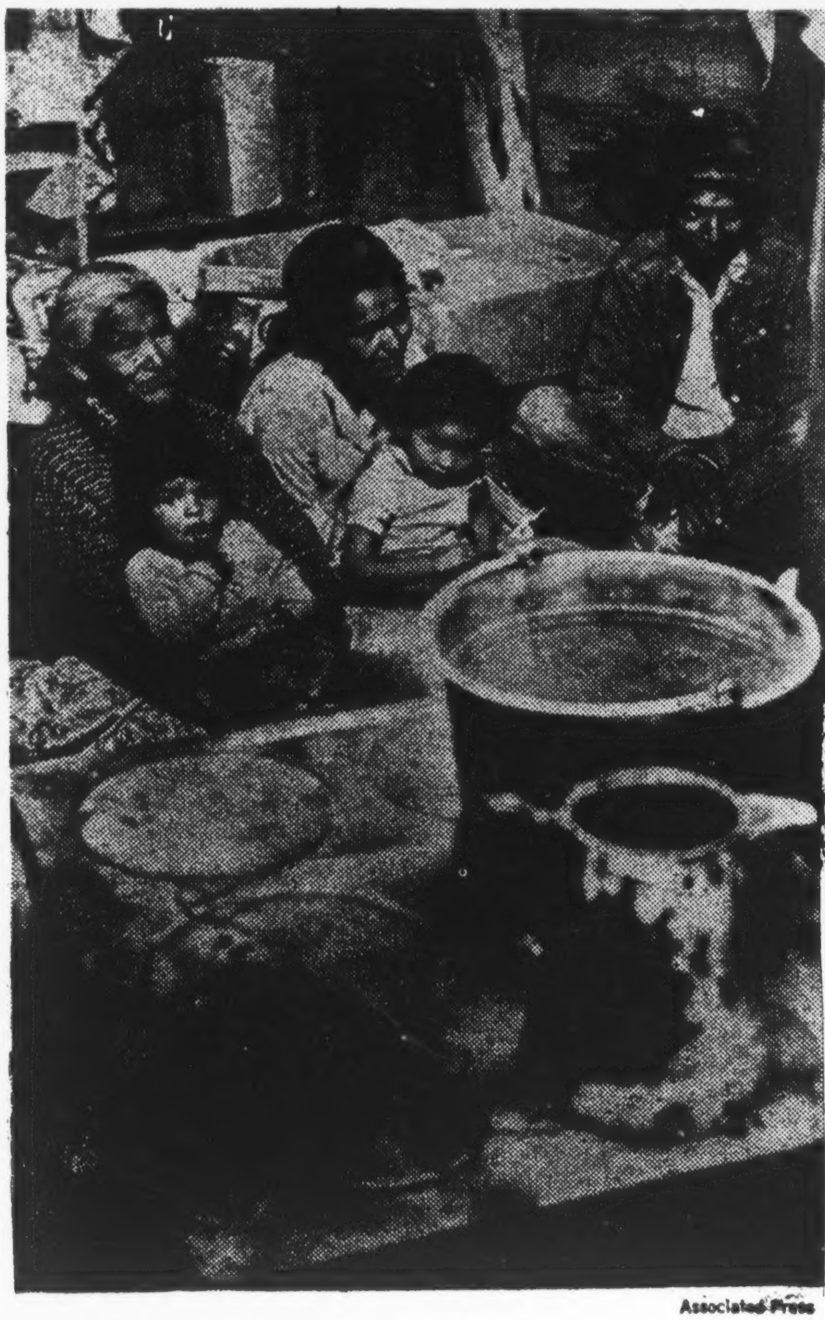

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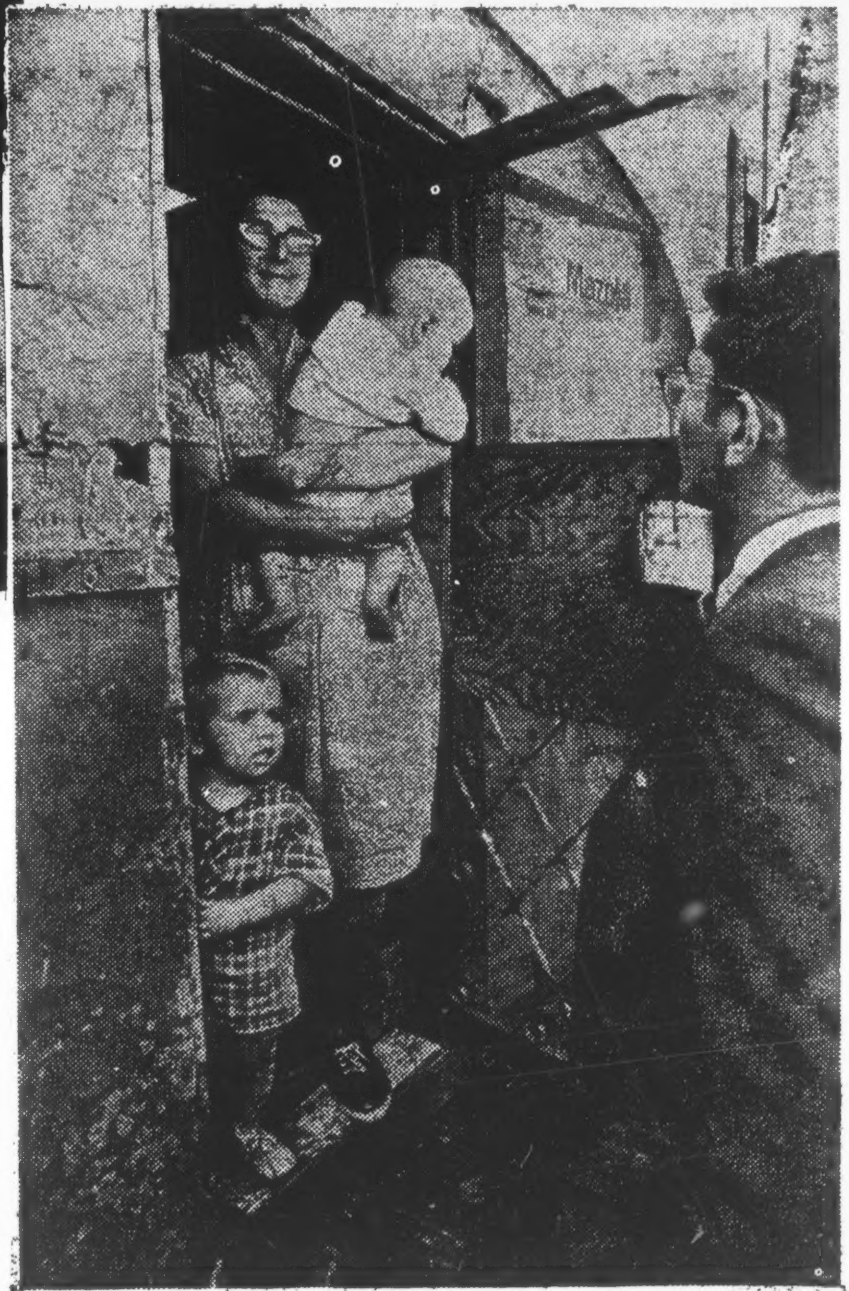


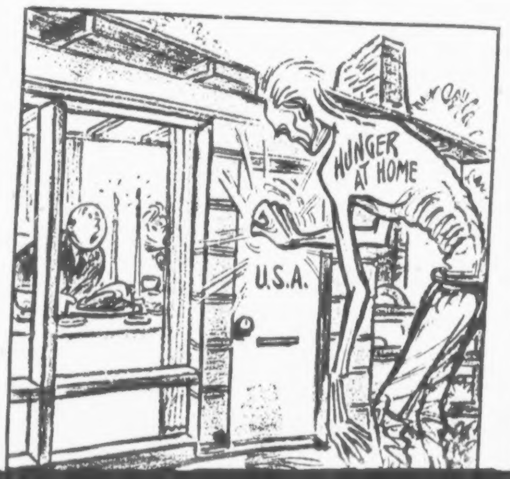
The New York Times

It has been estimated that there may be as many as five million chronically hungry Americans and five to ten million more undernourished because of poverty-induced diets. *Above:* a reporter talks to a woman who lives with her two children in a trailer in one of Florida's migrant worker camps. She earns $25 a week in the fields, pays $15 a week rent for the trailer.

(New York Times 2/29/69)

A Caywood (Ky.) woman with two of her children.

New York Times


HUNGER AT HOME
U.S.A.

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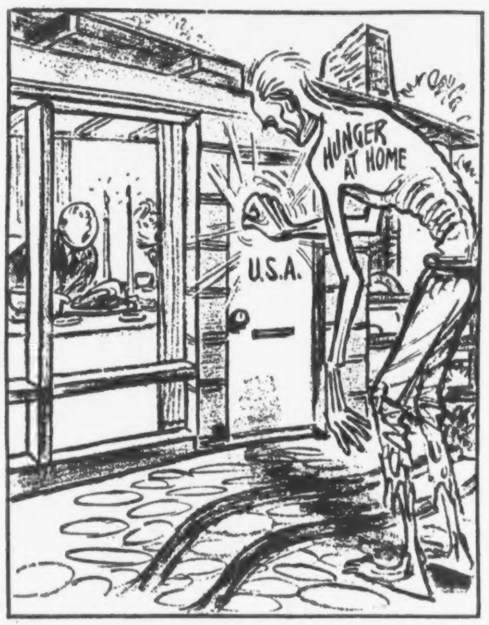

HERBLOCK IN WASHINGTON POST

KNOCK! KNOCK! Hunger at home —right here in the United States— comes as shocking news to many Americans. U. S. farmers produce more than enough food for our country, but the supply does not always reach those who need it.

Questions for Inquiry and Discovery

1. What are some of the reasons why hunger exists in the United States.
2. What effect does hunger have on the lives of the poor?
3. What is the cartoonist saying about hunger in the United States?

Questions for small group discussion

1. How do the conditions under which these people live (migrant workers, Indians, etc.) affect their opportunity to escape from poverty?
2. How can you reconcile these pictures with the affluence in our society?
3. How are these people affected socially? Politically? Culturally?
4. How can we wipe out hunger in the United States?

Follow-up activities

1. How effective has the Federal Food Stamp Program been in dealing with hunger in America?
2. What suggestions have been made to wipe out hunger in the U.S.? Students can investigate the Nixon proposals and the suggestions of the 1969 congressional hearings.

*3. Teachers can show the CBS News film Hunger in America. (Carousel Films, New York City - Color or black and white.) This film deals with the social, economic and medical problems related to hunger among the Indians, rural white, Blacks and Mexican - Americans.

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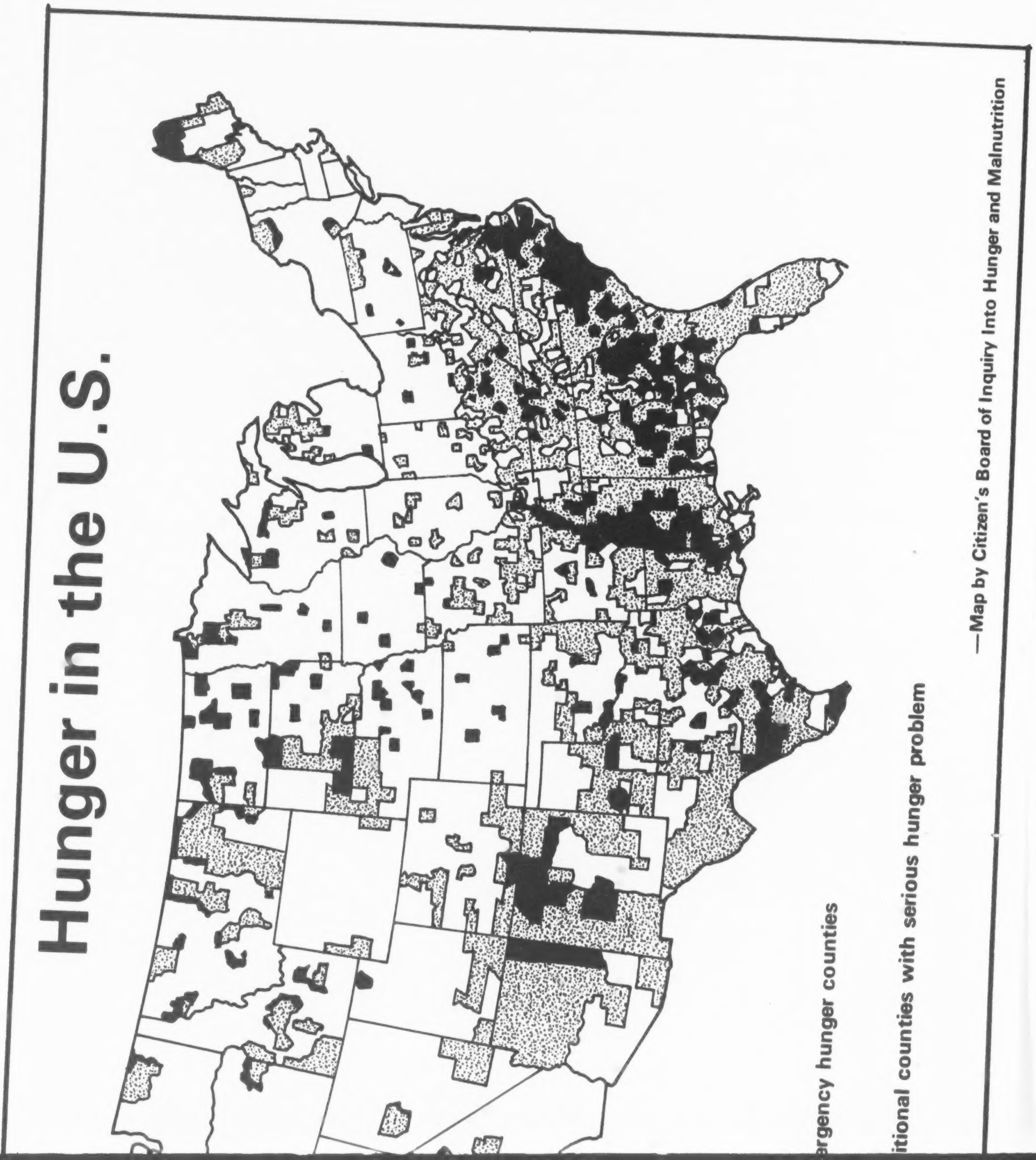
*Recommended for Students Achieving Below Grade Level.

F. Using a map to study the geographic distribution of poverty and hunger.

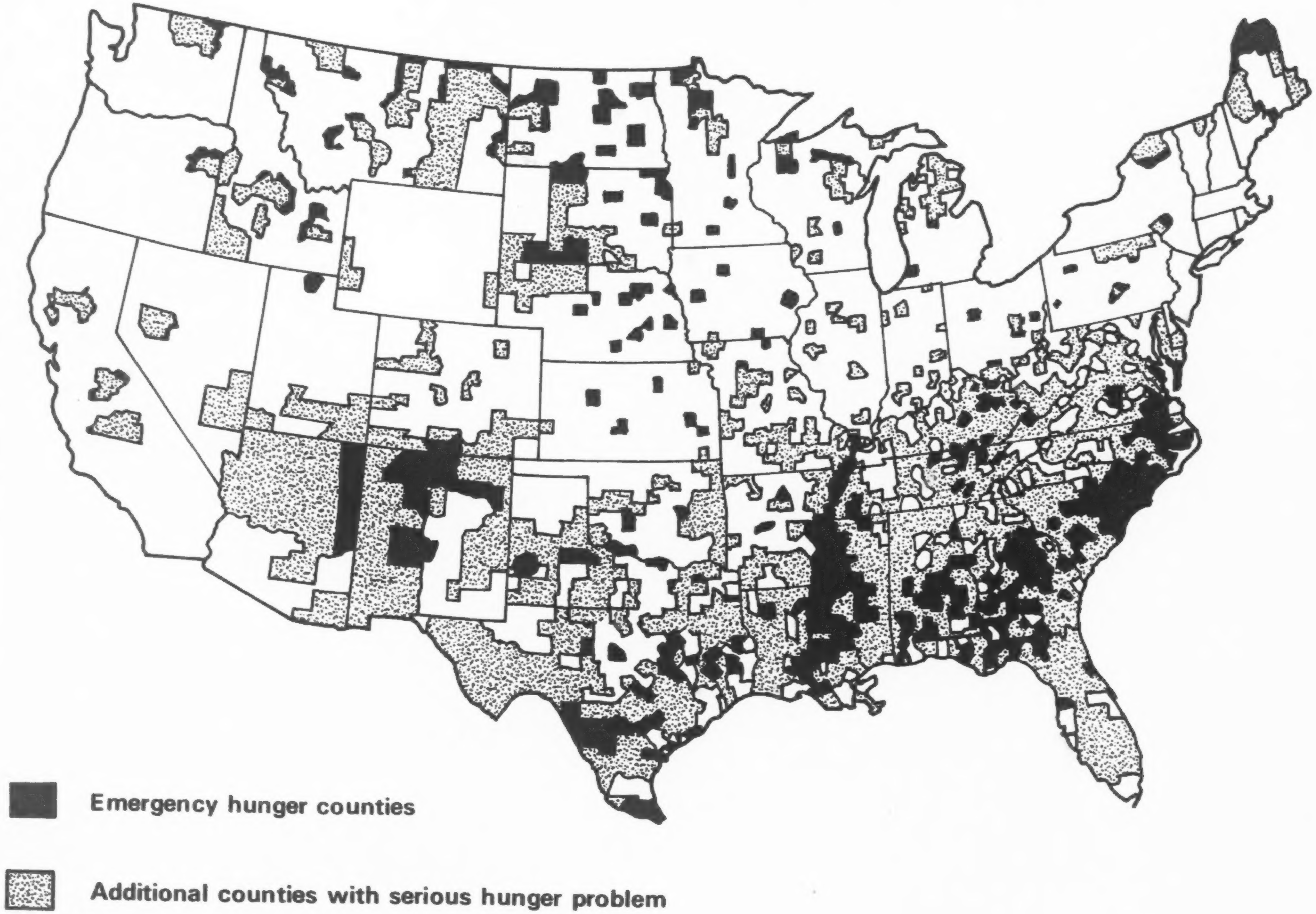


Hunger in the U.S.

ergency hunger counties
itional counties with serious hunger problem

—Map by Citizen's Board of Inquiry Into Hunger and Malnutrition

Hunger in the U.S.


■ Emergency hunger counties
▨ Additional counties with serious hunger problem

—Map by Citizen's Board of Inquiry Into Hunger and Malnutrition

Questions for Inquiry and Discovery

1. What areas of the United States have the greatest concentration of hunger in the United States?
2. What factors might account for this?
3. How can we account for the fact that there are few pockets of hunger in the far west?

Questions for group discussion

1. What effect does the concentration of hunger in the south and southwest have on the local economies? On movements to the cities? On national politics?
2. How do rural poverty and urban poverty differ?
3. Why is it that so few of us are aware of the other America?

Follow-up activity

Students can compare the major areas of hunger with some of the following regional statistics:
- education level
- per pupil expenditures on education
- minimum wage rates
- assistance programs
- racial discrimination

The interrelationship between these factors can be used to underscore some of the problems leading to hunger and poverty.

G. Using a newspaper article to show the relationship between poverty and health

Hunger in South Carolina

Down a dirt road Dr. Gatch paused at the decaying stoop of a family named Kinnard. Silent children with skinny legs sat listlessly on floors and beds. Fifteen people lived in the shack, Dr. Gatch said, and there was no privy.

He went directly to a young woman who was holding a crying seven-month-old baby girl....He remarked how the baby's hair had thinned, how the hairline had receded about an inch, and how the hair color had changed from black to dirty gray....

He took the infant girl from the mother's arms and placed her on a sofa. The baby kept her matchstick legs drawn up and raised her arms until the tiny hands were bent close to her head. Then she stopped crying....He said the baby's diet was so deficient in iron that her hemoglobin count was half of what it should be.

The baby's mother had been out of work since December. Dr. Gatch said the infant was now getting some baby formula food. It would probably live, he said, but he feared it had suffered irreversible damage through growth retardation of bones and brain cells.

"There's just no excuse for rickets in this country," complained Dr. Gatch as he drove to another shack, hunting this time a whole family that he claimed were rachitic--a mother and five children.

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The victims had gotten some relief and were now on a proper diet, Dr. Gatch said. All had misshapen legs. The mother, who seemed stout and cheerful, was very bowlegged; her children were either bowlegged or knock-kneed. Dr. Gatch commented that the legs of the three older children seemed to have straightened somewhat, but the twisted, spindly legs of the two youngest remained badly deformed.

Milk is the main source of vitamin D, Dr. Gatch noted, and the family might never have been blighted with rickets if fortified milk had been available to them.

(Source: N.Y.Times, 1969.)

Questions for Inquiry and Discovery

1. What is rickets?

2. What causes rickets?

3. What causes ill-formed bone structures?

4. How could the problems described in this article have been prevented?

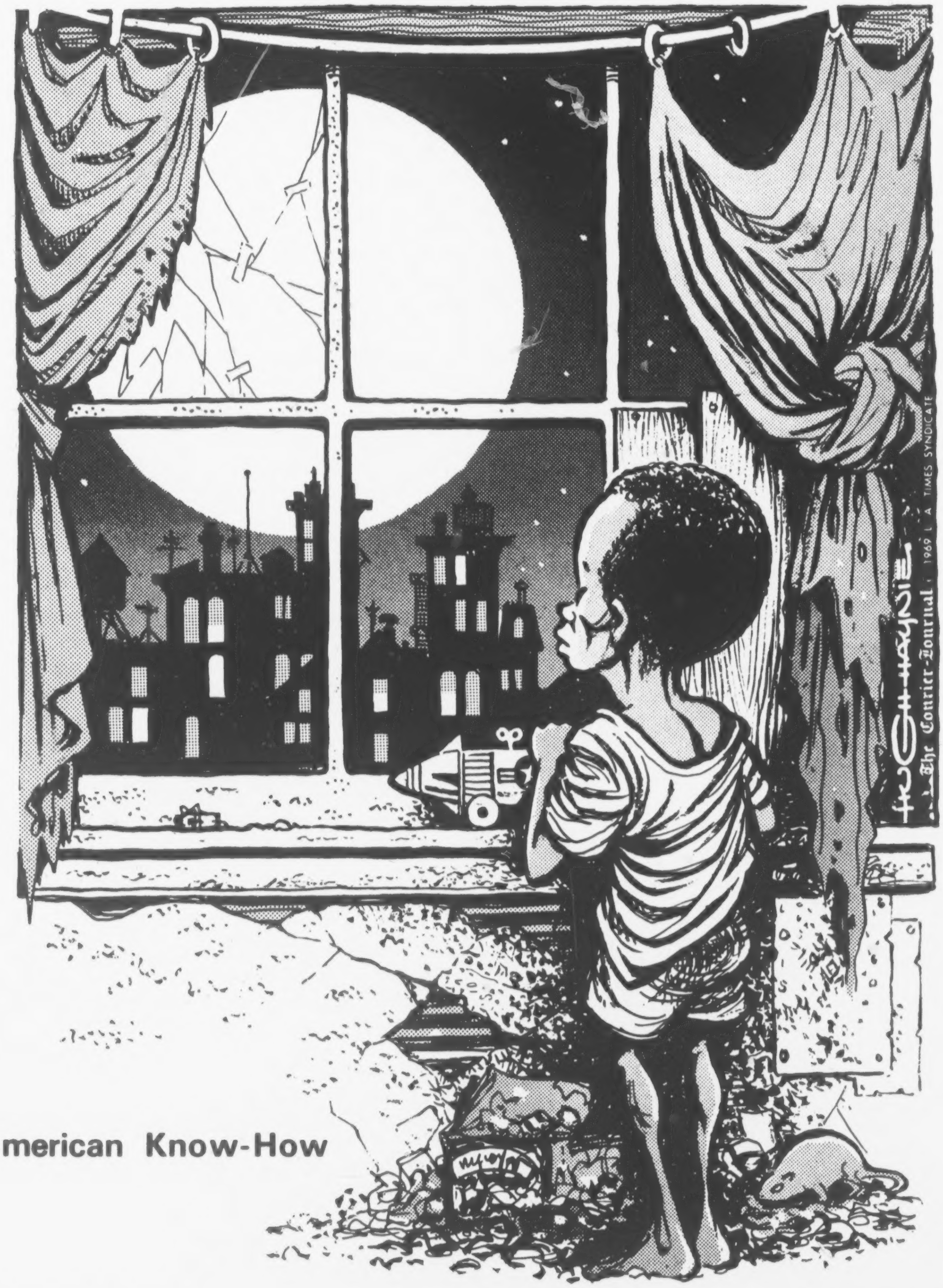
5. What health precautions should be taken?

Questions for Discussion

1. Should government have the responsibility to provide minimum health and food standards for all Americans? Why?

2. Should the elimination of poverty take priority over other programs? What do you recommend?

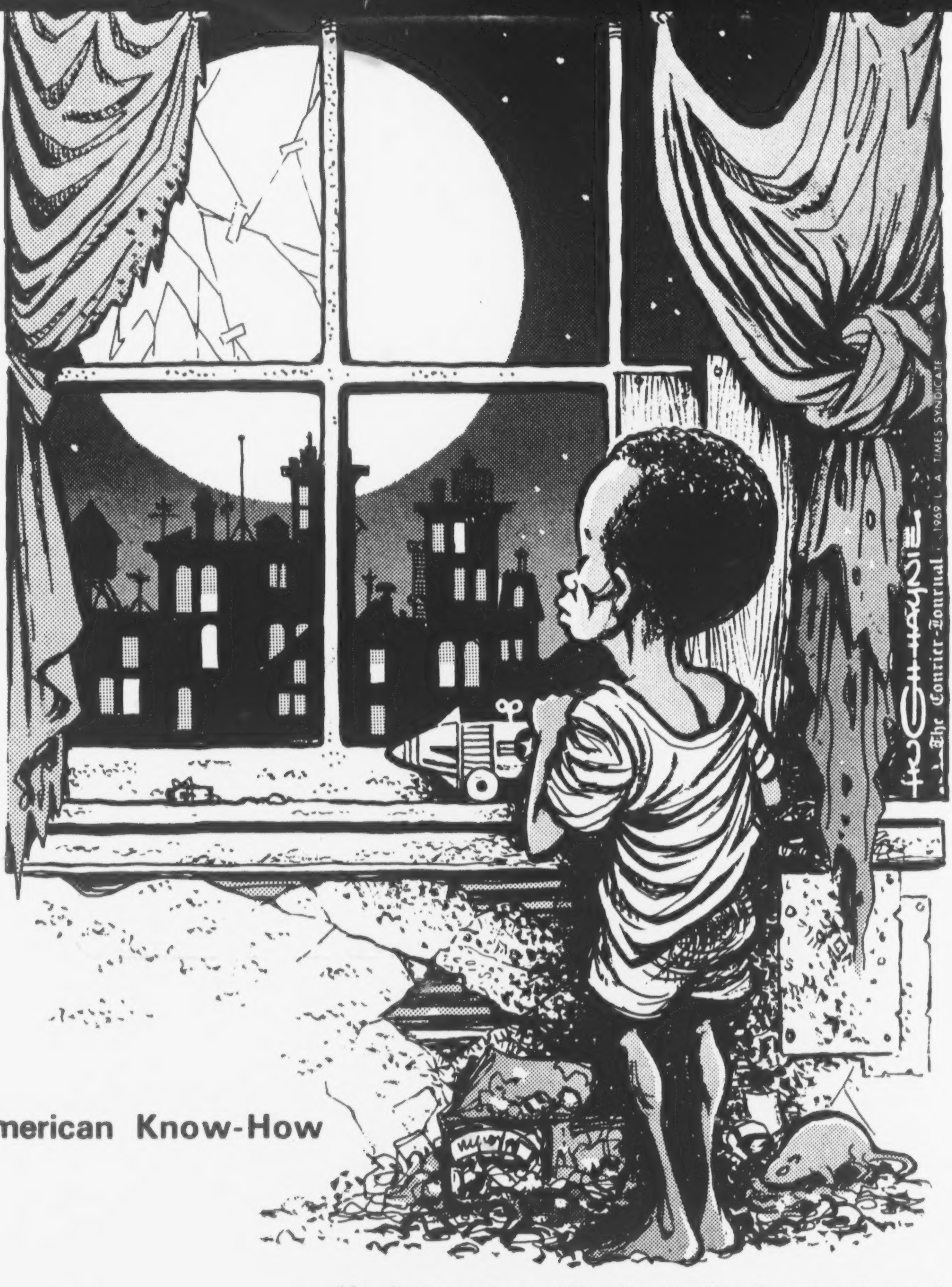
*H. Using a cartoon to understand the despair of poverty


HUGH HAYNIE
The Courier-Journal 1969 L.A. TIMES SYNDICATE

American Know-How

Hugh Haynie in *The Louisville Courier-Journal*

Distributed by the *Los Angeles Times* SYNDICATE


HUGH HAYNIE
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*Recommended for Students Achieving Below Grade Level

Questions for Inquiry and Discovery

1. What problems can be explained by: the presence of a rat, a broken window, the child's clothing, his physical appearance, his facial expression?

2. Why is he looking out of the window?

3. What does he expect to find?

4. What is the relationship between the toy rocket he is holding and the title of the cartoon?

5. Is the title, "American Know-How" a good title? Why or why not?

6. What other title would you suggest? Why?

I. Using excerpts from The Economic Report of the President to Understand the vicious cycle of poverty

Poverty breeds poverty. A poor individual or family has a high probability of staying poor. Low incomes carry with them high risks of illness; limitations on mobility; limited access to education, information, and training. Poor parents cannot give their children the opportunities for better health and education needed to improve their lot. Lack of motivation, hope, and incentive is more subtle but no less powerful barrier than lack of financial means. Thus, the cruel legacy of poverty is passed from parents to children.

Escape from poverty is not easy for American children raised in families accustomed to living on relief. A recent sample study of AFDC recipients found that more than 40 percent of the parents were themselves raised in homes where public assistance had been received. It is difficult for children to find and follow avenues leading out of poverty in environments where education is deprecated and hope is smothered. This is particularly true when discrimination appears as an insurmountable barrier. Education may be seen as a waste of time if even the well-trained are forced to accept menial labor because of their color or nationality.

The Michigan study shows how inadequate education is perpetuated from generation to generation. Of the families identified as poor in that study, 64 percent were headed by a person who had had less than an eighth grade education. Of these, in turn, 67 percent had fathers who had also gone no further than eighth grade in school. Among the children of these poor families who had finished school, 34 percent had not gone beyond the eighth grade; this figure compares with 14 percent for all families. Fewer than 1 in 2 children of poor families had graduated from high school compared to almost 2 out of 3 for all families.

(Economic Report of the President, 1964,
Council of Economic Advisers.
Washington, D. C.
United States Government Printing Office,
1964, Pp. 69 and 70.)

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(Economic Report of the President, 1964,
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1964, Pp. 69 and 70.)

Questions for Inquiry and Discovery

1. What do the authors mean by the statement that "poverty breeds poverty"?

2. What evidence is given to support this statement?

3. Should the poor bear the full responsibility for their own poverty? Why or why not?

4. Should the poor have the full responsibility for overcoming their own poverty? Why or why ?

Follow-up activities

1. Have students interview neighborhood people to survey grandparents, parents and children as to health, mobility, education and training. Statistical evidence can be used to support or dispute the conclusions of the article above.

** 2. Students can debate the question: "Should the eradication of poverty be a private or public responsibility?"

J. Using a presidential address to learn about the origins and philosophy of the War on Poverty Program.

....I have called for a national war on poverty. Our objective: total victory.

There are millions of Americans -- one-fifth of our people -- who have not shared in the abundance which has been granted to most of us, and on whom the gates of opportunity have been closed.

What does this poverty mean to those who endure it?

It means a daily struggle to secure the necessities for even a meager existance. It means that the abundance, the comforts, the opportunities they see all around them are beyond their grasp.

Worst of all, it means hopelessness for the young.

The young man or woman who grows up without a decent education, in a broken home, in a hostile and squalid environment, in ill health or in the face of racial injustice -- that young man or woman is often trapped in a life of poverty

He does not have the skills demanded by complex society. He does not know how to acquire those skills. He faces a mounting sense of despair which drains initiative and ambition and energy.

....But we must also strike down all the barriers which keep many from using those exits.

The war on poverty is not a struggle simply to support people, to make them dependent on the generosity of others.

It is a struggle to give people a chance.

It is an effort to allow them to develop and use their capacities, as we have been allowed to develope and use ours, so that they can share, as others share, in the promise of this Nation.

We do this, first of all, because it is right that we should.

....We do it also because helping some will increase the prosperity of all.

Our fight against poverty will be an investment in the most valuable of our resources -- the skills and strengths of our people.

And in the future, as in the past, this investment will return its cost many fold to our entire economy.

raise the annual earnings of 10 million among the poor or dispute the conclusions of the article above.

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And in the future, as in the past, this investment will return its cost many fold to our entire economy.

If we can raise the annual earnings of 10 million among the poor by only $1,000 we will have added $14 billion a year to our national output. In addition we can make important reductions in public assistance payments which now cost us $4 billion a year, and in the large costs of fighting crime and delinquency, disease and hunger.

**Recommended for Students Achieving Above Grade Level

This is only part of the story.

Our history has proved that each time we broaden the base of abundance, giving more people the chance to produce and consume, we create new industry, higher production, increased earnings, and better income for all.

Giving new opportunity to those who have little will enrich the lives of all the rest.

Because it is right, because it is wise, and because, for the first time in our history, it is possible to conquer poverty, I submit, for the consideration of the Congress and the country, the Economic Opportunity Act of 1964.

....And this program is much more than a beginning.

Rather it is a commitment. It is a total commitment by this President, and this Congress, and this Nation, to pursue victory over the most ancient of mankind's enemies.

On many historic occasions the President has requested from Congress the authority to move against forces which were endangering the well-being of our country.

This is such an occasion ....

(Adapted from "President Johnson's Message on Poverty," in The War On Poverty, The Economic Opportunity Act of 1964. 88th Congress, 2d session, Document No. 86. United States Government Printing Office. 1964. Pp. 1-6. March 16, 1964.)

Questions for Inquiry and Discovery

1. What is the most serious effect of poverty on the growth and development of our nation?
2. What effect will the poverty program have on the nation's economy, according to President Johnson?
3. What did President Johnson propose to win the war on poverty?
4. What role does President Johnson feel the government should play in the war on poverty?
5. How does President Nixon propose to meet the challenge of "poverty in America?"

Questions for Discussion

1. Do you feel that President Johnson's program attacks the causes and effects of poverty as previously discussed?
2. How does poverty effect those Americans who are not poor?
3. What is the program for the 70's?

Follow-up activities

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Questions for Discussion

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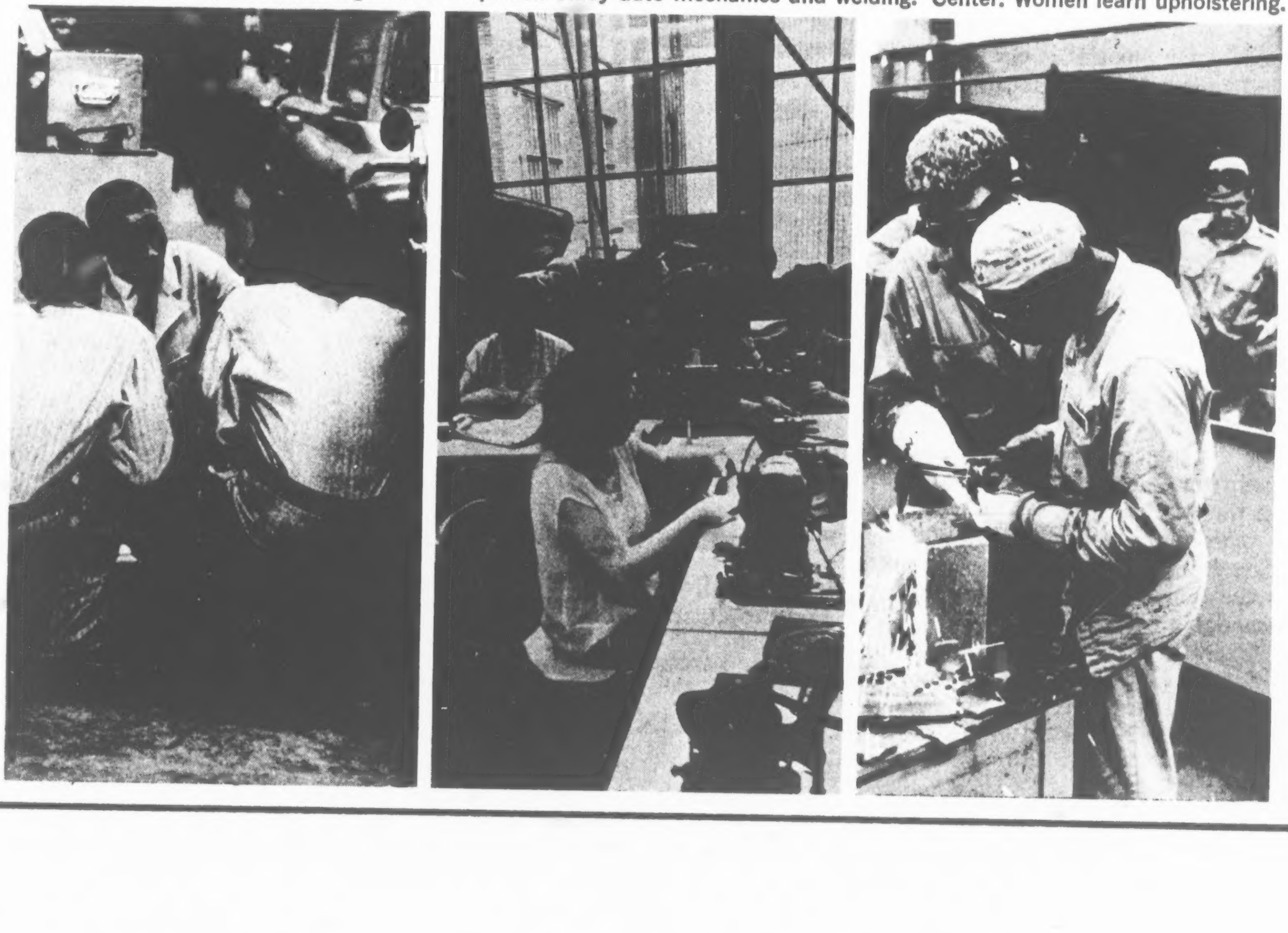
Follow-up activities

1. Have students read the Economic Opportunity Act to see how Congress followed up the President's "war on poverty" message. What changes were made? Why? What is the status today?

2. Students can survey the implication of this law on the local level.
   a. A panel can discuss the pros and cons of community control of a local poverty agency.
   b. A member of the community poverty agency can be invited to speak to the class about the role they are playing in the war on poverty.
   c. Students can get field experience by being encouraged to volunteer their help in community action programs.

K. Using pictures to understand the role of the job corps in the war on poverty

Ways out of poverty. Left and right: Job Corpsmen study auto mechanics and welding. Center: Women learn upholstering.



(Photos from *A Look At The War On Poverty*
Julius F. Rothman
AFL-CIO American Federationist, November 1967)

Questions for Inquiry and Discovery

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2. What is the relationship between skills and employability? Income?

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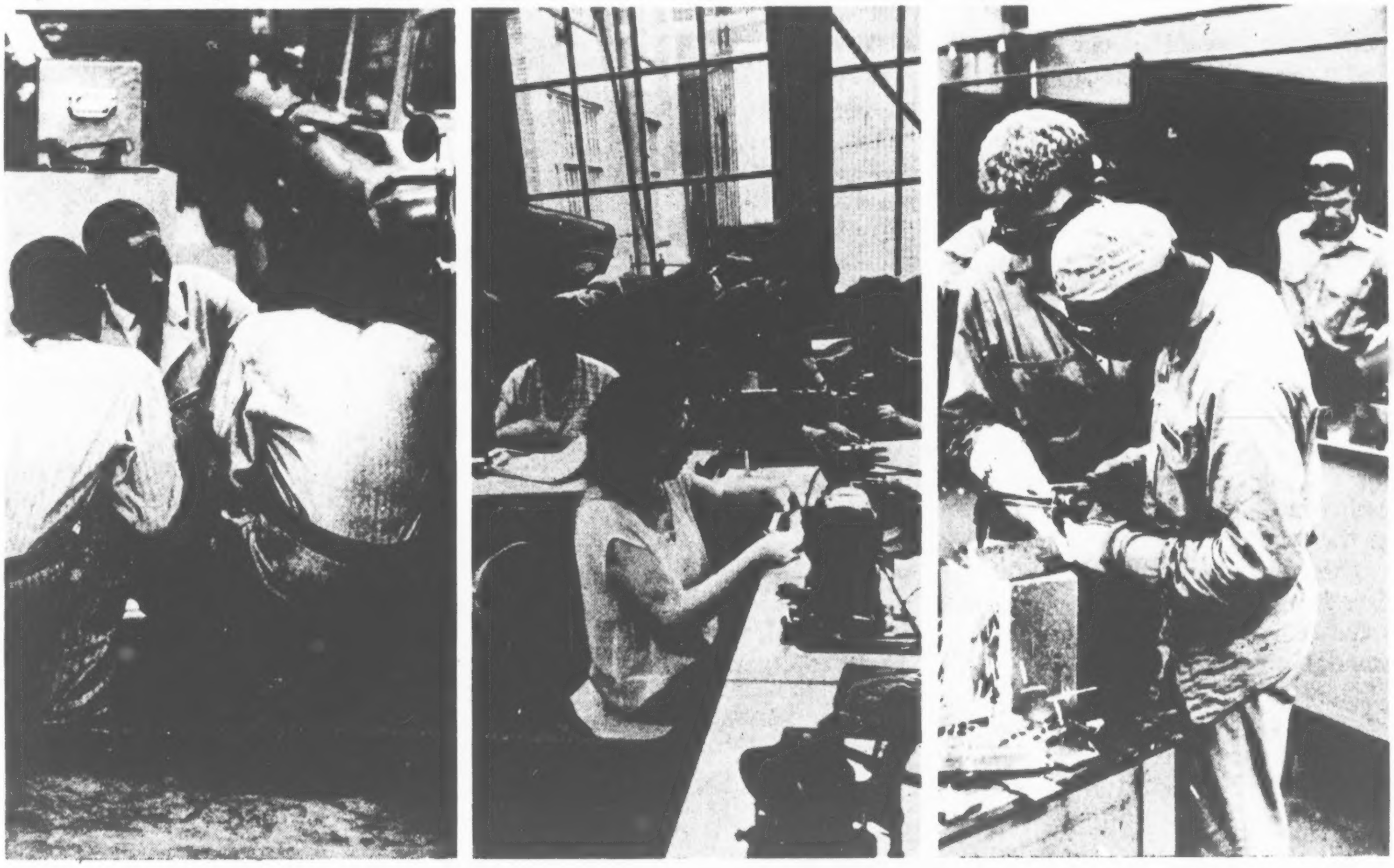

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Questions for Inquiry and Discovery

1. What types of skills are being taught?
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3. What is the role of the job corps in the war on poverty?

Questions for Discussion

1. What role do you see for unions in such a program? industry? government?

Follow-up activities

1. Students can investigate local poverty programs and evaluate them in terms of:
   - What are its goals?
   - How important are these goals?
   - What are the costs?
   - Are the purposes important enough to justify the costs?
   - Is there a better way of dealing with the problem?
2. Students can research and report on proposed programs to deal with poverty in the United States.
   a. Model Cities Program
   b. Headstart
   c. Vista
   d. Job Corps
   e. Manpower Development and Training Act
   f. Teacher Corps
   g. A. Phillip Randolph Budget
   h. Riot Commission
   i. Rent Subsidies
   j. National Minimum Wage Laws
   k. Community Action Programs
   l. Neighborhood Youth Corps

*L. Using a newspaper article to know about the role of private industry in the war on poverty.

Teachers can rewrite printed material to meet the reading level needs of their students and thus derive full benefit from available printed materials. An example follows.

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"Washington. --The stone-cold image of the private businessman may be fading.

"The high-pressure executive in the gray flannel suit...(interested only in) making more money, has all be disappeared in some circles. In his place is emerging a new likeness: the business leader concerned with the economic and social betterment of the poor.

"There have always been some businessmen devoting spare time to worthy charities. But today, that trend is becoming widespread and well organized....

---

*Recommended for Students Achieving Below Grade Level

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"Symptoms (Signs) of the trend are everywhere"

"The Chamber of Commerce of the United States, under this headline in its newspaper: 'Your role in poverty war,' urged businessmen to order its pamphlet, 'The Role of the Businessman in Reducing Poverty.' It sells for $2.

"The National Association of Manufacturers in New York is conducting seminars (study groups) for business leaders from all over the country in an effort to involve them in private anti-poverty projects. The Chamber of Commerce is doing much the same thing in some 13 selected communities....

"Mr. (Donald) Cook (President of the American Electric Power Company) says that business leaders must 'break the artificial barriers (unnatural obstacles) that have separated the purely business values from the purely social and human values.'

"Instances of businessmen who are visibly (noticeably breaking down these barriers are multiplying.

"In Chicago, for example, the Yellow Cab Company worked up a training program to offset a shortage of cab drivers in that city. Since the program began in 1962, 1,700 have graduated and now are driving cabs.

"A restaurant association in the same city instituted (started) a course in food preparation for poor people.

"The Shell Oil Company worked up a service-station-attendant program.

"An astonishing number of people placed in jobs as a result of such programs--came off the relief (government assistance)--mostly mothers receiving Aid to Dependent Children payments.

"One private business started a school to train key-punch operators. They trained women who were on relief (government assistance) mostly mothers receiving Aid to Dependent Children payments.

"Out of 111 graduates who had never worked before, 53 have jobs and are holding on to them. The private training group gets paid only for those graduates who are able to hold jobs.

"National Cash Register is developing a program to help train poor and deprived people--and then get them jobs.

"This is just a sampling of stories repeated in countless ways--all across the country.

"'More and more businessmen are interested in programs to help the poor,' explains one New York businessman who is devoting (giving) full time to recruiting (enlisting the services of) other businessmen for a private, antipoverty project. 'I talk to people every day who want to get involved.'...

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"'More and more businessmen are interested in programs to help the poor,' explains one New York businessman who is devoting (giving) full time to recruiting (enlisting the services of) other businessmen for a private, antipoverty project. 'I talk to people every day who want to get involved.'...

"Already, it is estimated that businessmen are giving time worth about $5 billion a year to voluntary charitable endeavors (efforts).

"....A spokesman for the National Industrial Conference Board says that businessmen have doubled their nonprofit activity in five years. Some top executives spend up to 80 percent of their time on good works, partially (in part) on long-standing good-will programs and partially (in part) on efforts to combat poverty....

"Experts point out that if industries in this country provided 2 percent more jobs than they now do, unemployment could be wiped out overnight--assuming (providing) workers had the necessary skills.

"Experience with the 'war on poverty' over the past two years indicates that the most pressing need is basic training for jobs.....

"Business groups like the National Association of Manufacturers and the Chamber of Commerce figure that if resources could be tapped (opened up) adequately, this country would be well on the road to removing from poverty all except those who are disabled or aged...."

(Source: William C. Selover, "The Other War on Poverty." The Christian Science Monitor, December 28, 1966.)

Questions for Inquiry and Discovery

1. What activities are carried on by American business to fight poverty in the United States?
2. What effect can these programs have in the total fight against poverty?
3. Why is business concerned with the problem of the poor?

Questions for Discussion

1. What are the advantages of involving industry in the war on poverty? Are there any disadvantages?
2. Should the war on poverty be the major responsibility of industry? Labor unions? Government? The poor?

Follow-up activity

Show how the following organizations illustrate how the private sector of the economy has undertaken the fight against poverty:

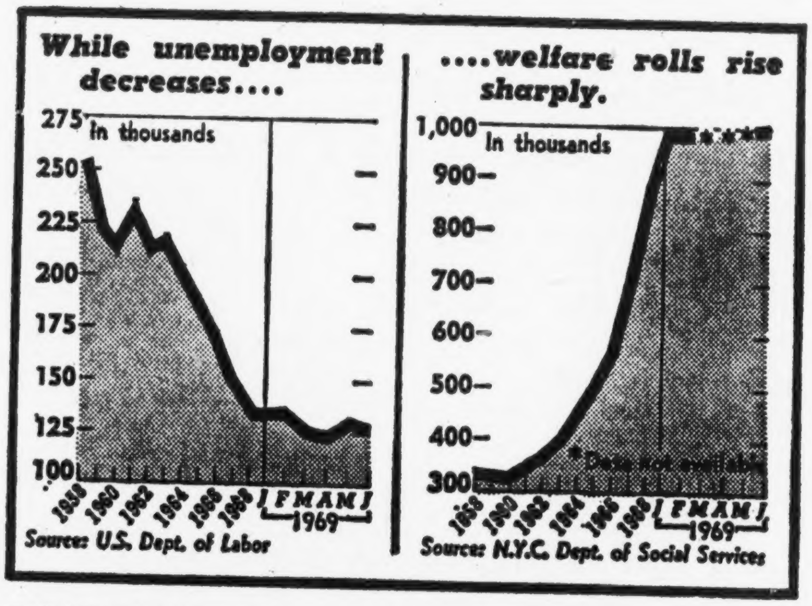
New York Urban Coalition

Economic Development Council

New York Public Development Corporation

Bedford - Stuyvesant Development and Services Corporation

M. Using graphs to learn about the relationship between welfare and unemployment.



While unemployment decreases....

....welfare rolls rise sharply.

Source: U.S. Dept. of Labor

Source: N.Y.C. Dept. of Social Services

PARADOX: Although unemployment (left) has been decreasing in New York City, welfare rolls (right) have risen. One factor is the large number of children—about 60 per cent of the total recipients—in welfare families.

(Source: New York Times, 1969.)

Questions for Inquiry and Discovery

1. What has been the unemployment trend for New York City since 1958?

2. What has been the trend for the number of people receiving welfare in New York City during the same period?

3. What relationship, if any, is there between employment and the welfare rolls in New York City?

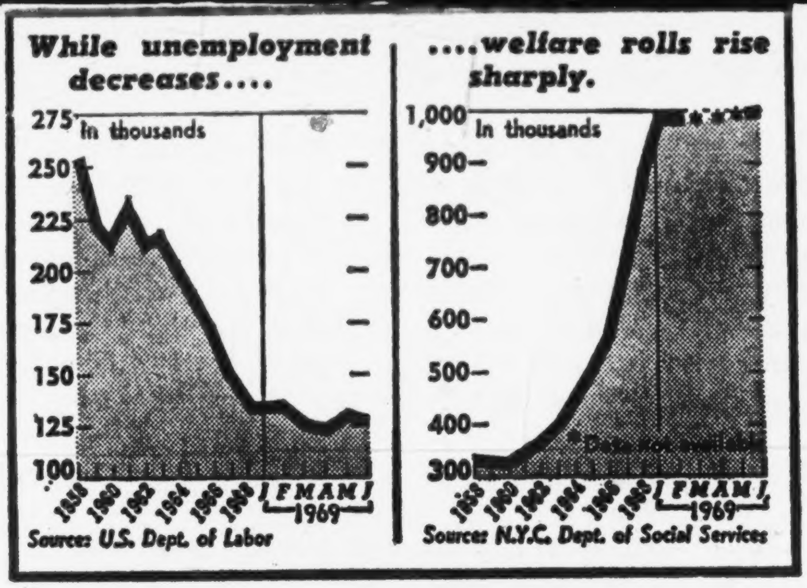
4. Why can it be said that creating jobs alone cannot solve the problem of poverty in New York City?

Follow-up Activity

Using a newspaper column to understand the problems of our welfare system.
New York. To understand the depth of disillustionment with our present welfare system, you must know such key facts about it as:

Q. What's wrong with today's welfare system?

A. What's wrong is that it doesn't work. It covers only about



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A. What's wrong is that it doesn't work. It covers only about 8 million Americans now living below the $3,300 poverty level established by the federal government for a family of four and costs $8 million a year to do only this.

It is, in the words of Joseph C. Wilson, chairman of Xerox Corp. and also of Gov. Rockefeller's 12-man committee on public welfare, "demeaning, inefficient, inadequate and has so many disincentives built into it that it encourages continued dependency."

It is loaded with degradations and humiliations, undermines human dignity and importance. Its rules are often so conflicting that they discourage people who want to work from doing so and deprive children of the motivation to break away from a recurring cycle of relief.

Q. How did this come about?

A. Welfare was created during the depression 1930s as a temporary measure. As it has evolved in the decades following, it has become a hodge-podge of 50 separate programs with each state determining its own level of payments, each working out its own eligibility standards, each deciding whether or not to accept federal funds available for public assistance. On this last point: 22 states do not accept all of the federal funds available for assistance purposes.

Q. Who are the 30 million below the poverty line?

A. First, they are 15% of our population and a sickening one-fourth of all our children. More than half are in fact, under 18. Approximately 80% of the children on welfare live in homes without fathers; among them are one of every 10 white children but six of every 10 non-white children.

Q. What about the 8 million on relief?

A. The vast majority are either too young, too old, too sick or too disabled to be self-supporting. More specifically, more than 2,000,000, mostly women, are 65 or over; more than 700,000 are totally blind or disabled; almost 4,000,000 are children whose parents cannot support them; about 1,100,000 are their mothers; about 100,000 are their physically or mentally incapacitated fathers. Only about 60,000 are able-bodied men.

Q. What does this profile of our welfare population say?

A. It shouts "lie" to those who claim that those on welfare are "loafers" who won't work. Most do not work because they cannot. This alone, argues the Rockefeller Committee, means that our present welfare system needs drastic and immediate reform. At the very least, the committee urges these major changes; the aged, blind and disabled,who constitute one-third of welfare rolls, should be transferred to Social Security; day care facilities should be substantially expanded to enable welfare mothers to work, if they can; incentives to work should be liberalized to spur those who can work to do so.

Q. What are the drawbacks to working?

A. Here's just one. Under our welfare system, those on welfare have lost one dollar in benefits for every dollar they have earned at work, a 100% tax! This has meant that the highest income tax paid in the U.S. has been paid by mothers or fathers who break away from a recurring cycle of relief.

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Q. Won't reform of the system be sufficient?

A. No. What is needed is a new approach to poverty to replace our present cruel, archaic, costly, inefficient system of welfare payments.

(Source: Sylvia Porter, New York Post, 1969.)

Questions for Inquiry and Discovery

1. What are the major drawbacks to our current welfare system?
2. What effect will the increase in job opportunities have on the total welfare picture? Why?
3. How does our current system foster growth of the welfare rolls?
4. What other problems are created by our welfare structure?
5. What changes does the author propose?

Questions for Discussion

1. Why have we witnessed a decline in poverty and an increase in welfare expenditures?
2. Why have some argued that the welfare system is not an effective means of helping the poor? Are they justified?

N. Using a Presidential address to learn about new approaches to the poverty problem.

NIXON ASKS OVERHAUL OF WELFARE, WITH WORK OR TRAINING REQUIRED

I propose that the Federal Government build a foundation under the income of every American family with dependent children that cannot care for itself - wherever in America that family may live.

For a family of four now on welfare, with no outside income, the basic Federal payment would be $1,600 a year. States could add to that amount and most would do so. In no case would anyone's present level of benefits be lowered. At the same time, this foundation would be one on which the family itself could build. Outside earnings would be encouraged, not discouraged. The new worker could keep the first $60 a month of outside earnings with no reduction in his benefits, and beyond that the benefits would be reduced by only 50 cents for each dollar earned.

By the same token, a family head already employed at low wages could get family assistance supplement: those who work would no longer be discriminated against. A family of five in which the father earns $2,000 a year - which is the hard fact of life for many families - would get family assistance payments of $1,260 for a total income of $3,260. A family of seven earning $3,000 a year would have its income raised to $4,360.

Thus, for the first time, the Government would recognize that it has no less of an obligation to the working poor than to the nonworking poor; and for the first time, benefits would be scaled in such a way that it would always pay to work.

With such incentives, most recipients who can work will want to work. This is part of the American character.

But what of the others - those who can work but choose not to?

The answer is very simple.

2. What effect will the increase in job opportunities have on the total welfare picture? Why?

3. How does our current system foster growth of the welfare rolls?

4. What other problems are created by our welfare structure?

5. What changes does the author propose?

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But what of the others - those who can work but choose not to?

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Under this proposal, everyone who accepts benefits must also accept work or training provided suitable jobs are available either locally or at some distance if transportation is provided. The only exceptions would be those unable to work, and mothers of preschool children, however, would have the opportunity to work - because I am also proposing along with this a major expansion of day-care centers to make it possible for mothers to take jobs by which they can support themselves and their children.

This national floor under incomes for working or dependent families is not a "guaranteed income." Under the guaranteed income proposal, everyone would be assured a minimum income, regardless of how much he was capable of earning, regardless of what his need was, regardless of whether or not he was willing to work.

During the Presidential campaign last year I offered such a plan. I oppose it now, and will continue to oppose it. A guaranteed income would undermine the incentive to work: the family assistance plan increased the incentive to work. A guaranteed income establishes a right without responsibilities: family assistance recognizes a need and establishes a responsibility. It provides help to those in need, and in turn requires that those who receive help work to the extent of their capabilities. There is no reason why one person should be taxed so that another can choose to live idly.

In states that now have benefit levels above the Federal floor, family assistance would help ease the states' financial burdens. But in 20 states - those in which poverty is most widespread - the new Federal floor would be above present average benefit levels, and would mean a leap upward for many thousands of families that cannot care for themselves.

The Effect of Earnings On Aid for Family of 4

Following are figures reflecting the effect of earnings on welfare benefits for a family of four, with benefits ending at the level of $3,920 in earnings:

FAMILY OF FOUR
BENEFIT SCHEDULE

EARNED INCOME	BENEFIT	TOTAL INCOME
0	1600	1600
720	1600	2320
1000	1460	2460
1500	1210	2710
2000	960	2960
2500	710	3210
3000	460	3460
3500	210	3710
3920	---	3920

(Source: New York Times 8/9/69)

Questions for Inquiry and Discovery

1. What floor does President Nixon place on earnings?

2. What incentives are built in for working to earn additional income?

3. What provisions are made for those who do not work?

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Questions for Inquiry and Discovery

1. What floor does President Nixon place on earnings?

2. What incentives are built in for working to earn additional income?

3. What provisions are made for those who do not work?

4. What is the purpose of this program?

Questions for Discussion

1. Why might this program help in the war on poverty?

2. Why have some people critized President Nixons proposals?

3. Why did President Nixon reject the guaranteed income proposal? Do you feel his reasoning is sound? Would you favor it? Why or why not?

4. How does the Nixon approach differ from the Johnson approach to the war on poverty?

Follow-up Activities

Have students compare the three programs suggested below as to

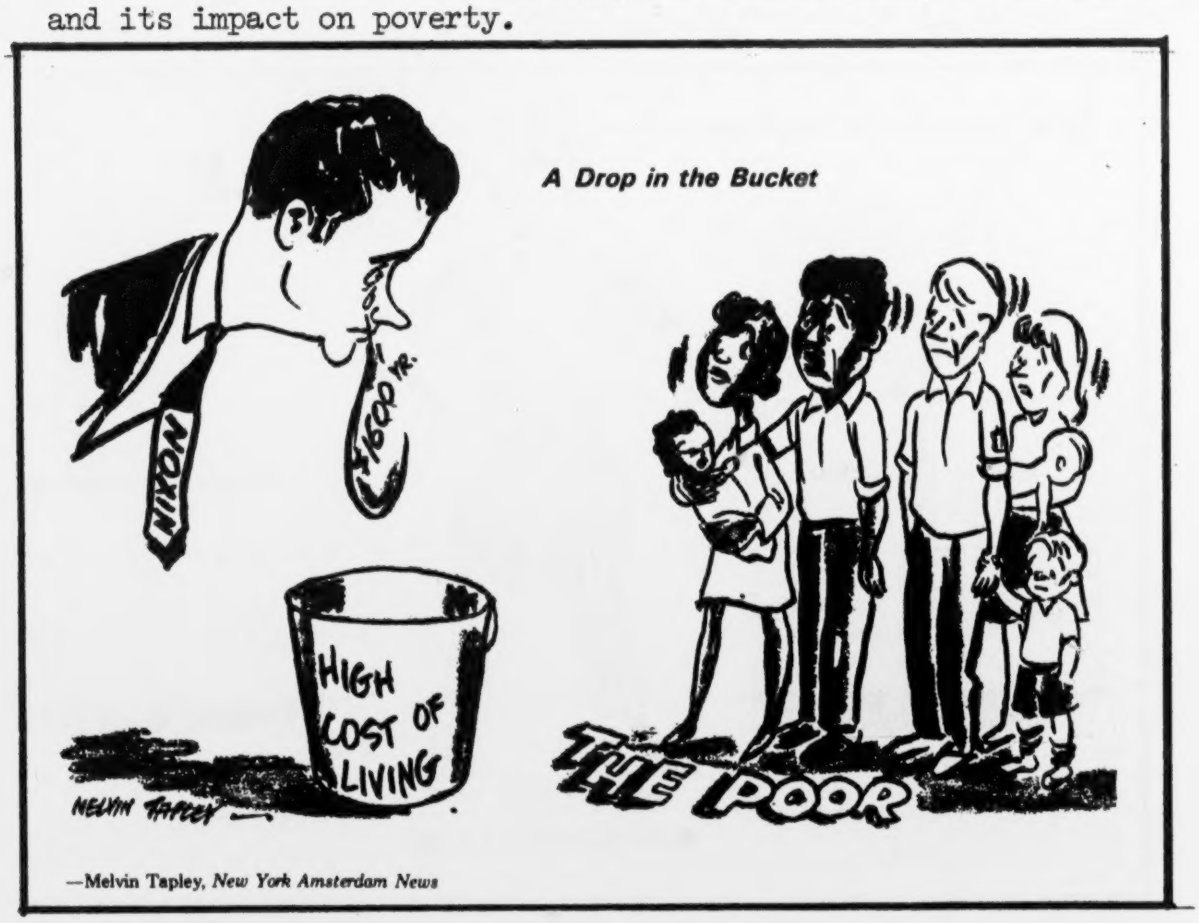
1) cost and who will pay it
2) benefit to the poor
3) incentives
4) role of government
5) desirability

A. Negative income tax

B. Guaranteed income

C. Family allowance

*2. Use the cartoon below to develop an understanding of the Nixon Program and its impact on poverty.



A Drop in the Bucket

—Melvin Tapley, *New York Amsterdam News*

Questions for Inquiry and Discovery

1. What does the tear shed by the President represent?

2. What effect will it have in the "bucket"?

3. Do you think the cartoonist agrees with the President's plan? How can you tell? Do you think he's justified?

4. How might the plan be improved?

5. What problems would it solve? What problems might it create?

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*Recommended for Students Achieving Below Grade Level.

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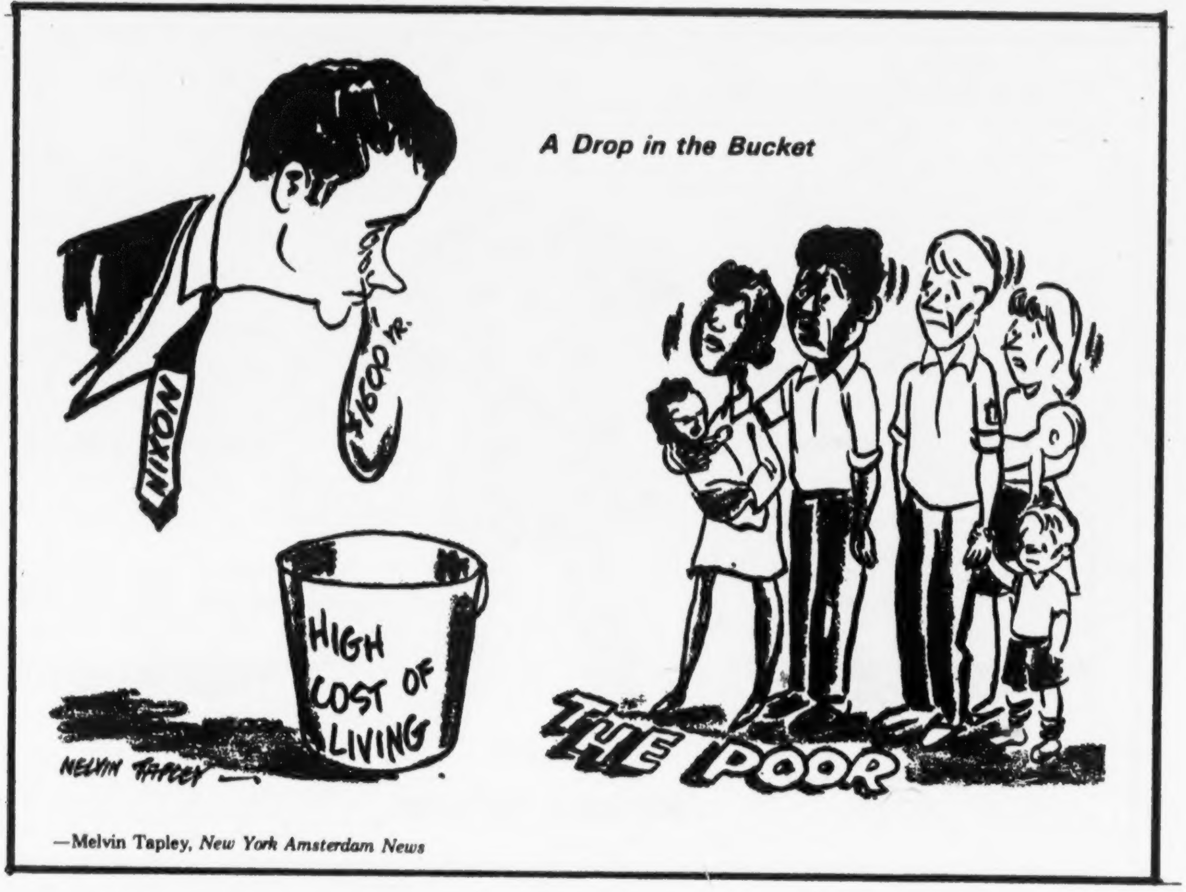

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II. WHAT IS THE ROLE OF LABOR IN THE UNITED STATES?

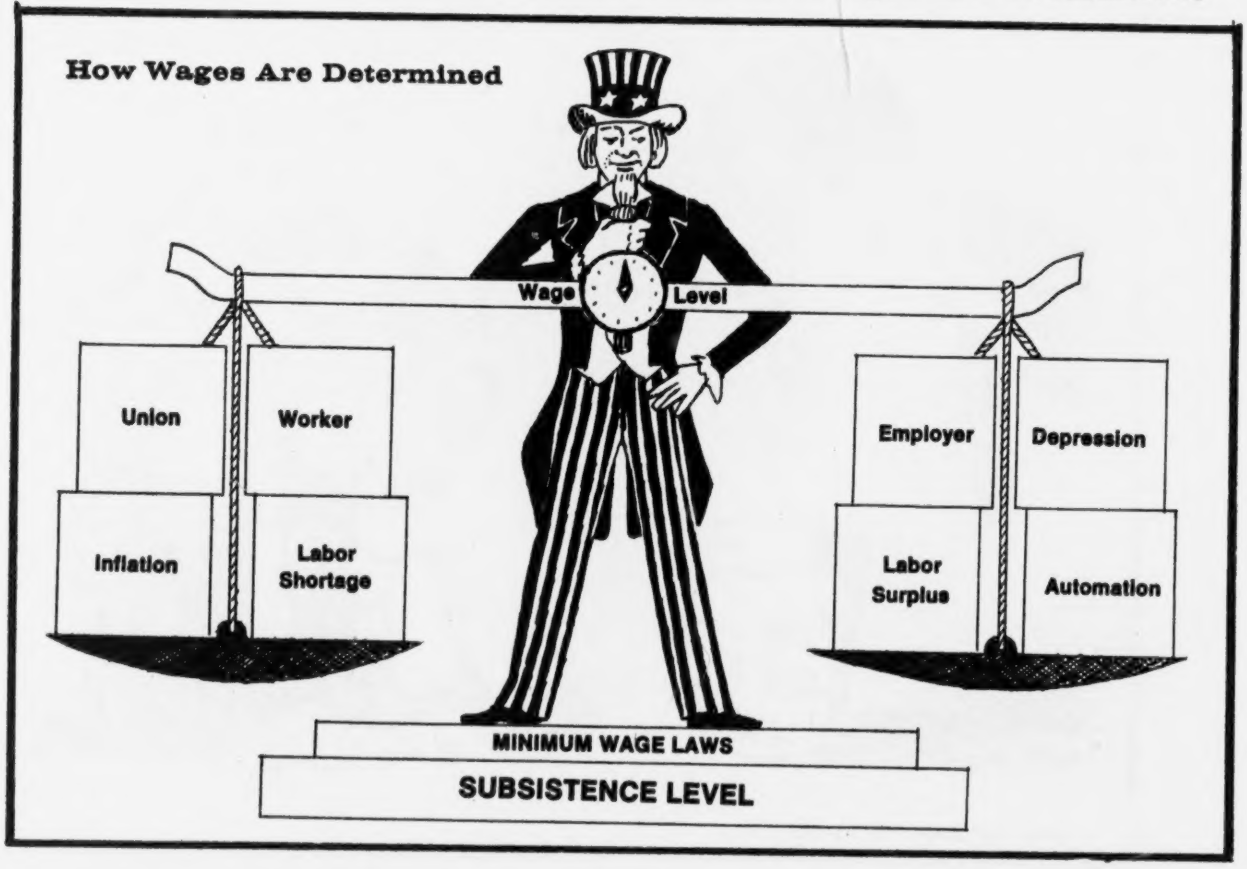
Emphases: Labor unions have had an important impact on the growth and development of the American economy.

Job security has become a major goal of unions due to the accelerated pace of automation.

The role of strikes has expanded into new areas and has come under closer scrutiny.

Note: Teachers may wish to place greater emphasis on the role of insurance (section c4, a3 of the course outline) for students achieving below grade level.

A. Using an illustration to understand how wages are determined.


How Wages Are Determined
Wage Level
Union
Worker
Inflation
Labor Shortage
Employer
Depression
Labor Surplus
Automation
MINIMUM WAGE LAWS
SUBSISTENCE LEVEL

1. What is the minimum wage an employer can afford to pay an employee?
2. What effect does a minimum wage law have on the wage employees will actually pay?
3. What factors push wages higher? Discuss each.
4. What factors push wages lower? Discuss each.
5. Why is Uncle Sam holding the scale?

Questions for Discussion

1. Do you think the scales are actually balanced in our economy? Which side has greater weight? Why?

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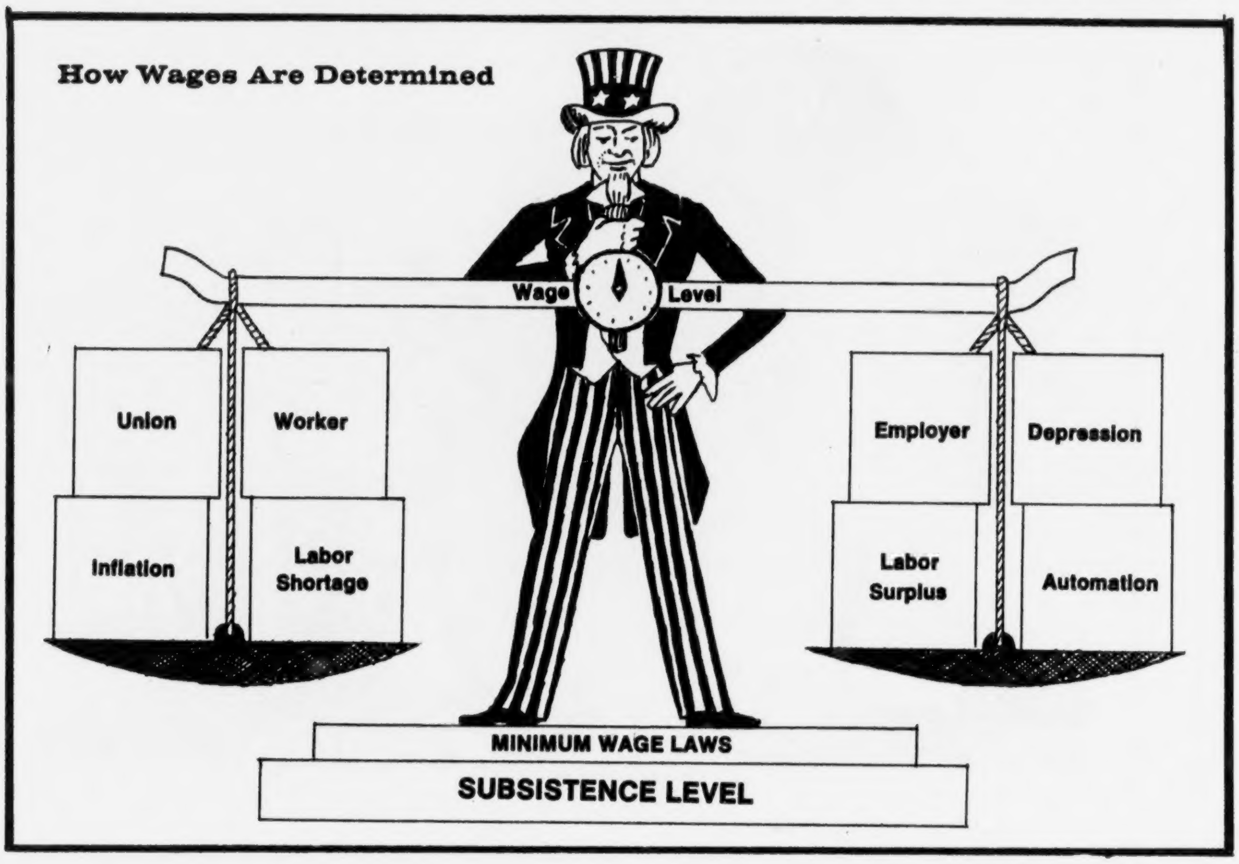

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Wage
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Questions for Discussion

1. Do you think the scales are actually balanced in our economy? Which side has greater weight? Why?
2. Should Uncle Sam be responsible for maintaining a minimun wage in our society?
3. Why can worker productivity place a ceiling on the wages he can get?

Follow-up Activity

Have students survey their neighborhood to determine the range of wages for various activities. The raw data can then be analyzed to determine why some jobs pay more than others. A comparison can be made to the chart below which students can update in light of their research.

Median Money Incomes by Occupation, 1960

Occupation	Income
Physicians	$14,560
Lawyers	10,590
Airplane Pilots	10,270
Economists	8,650
Electricians	5,950
Elementary School Teachers	5,200
Store Clerks	4,030
Janitors	2,860
Farm Laborers	1,080

(Source: U.S. Census 1960)

B. Using and interpreting a chart to learn about the changing nature of our labor force.

EMPLOYMENT BY MAJOR OCCUPATION GROUP, 1964, AND PROJECTED REQUIREMENTS, 1975

Major occupation group	1964		1975		Percent Change 1964 1975
	Number (in millions)	Per- cent	Number in (millions)	Per- cent	
Total Employment	70.4	100.0	101.0	100.0	42
1. White-collar workers	31.1	44.2	48.8	48.3	57
Professional, technical, and kindred workers	8.6	12.2	15.8	15.6	84
Managers, officials, and proprietors, except farm	7.5	10.6	10.6	10.5	41
Clerical and kindred workers	10.7	15.2	16.7	16.5	56
Sales workers	4.5	6.3	5.8	5.7	29
2. Blue-collar workers	25.5	36.3	34.0	33.7	33
Craftsmen, foremen, and kindred workers	9.0	12.8	12.8	12.7	42
Operatives and kindred workers	12.9	18.4	16.5	16.3	28
Laborers, except farm and mine	3.6	5.2	4.6	4.6	28
3. Service workers	9.3	13.2	14.6	14.4	57
4. Farmers and farm managers, laborers, and foremen	4.4	6.3	3.5	3.5	-20

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(Sources: U.S. Dept. of Labor and National Planning Association)

Questions for Inquiry and Discovery

1. How many workers may be required in 1975?
2. What is the percent of change?
3. What may happen to the number of workers needed in each occupation group?
4. What may happen to the percent change in each occupation group?
5. If you had a choice of occupations for which to prepare, which would you select? Why?
6. What other considerations should be taken into account?

Questions for Discussion

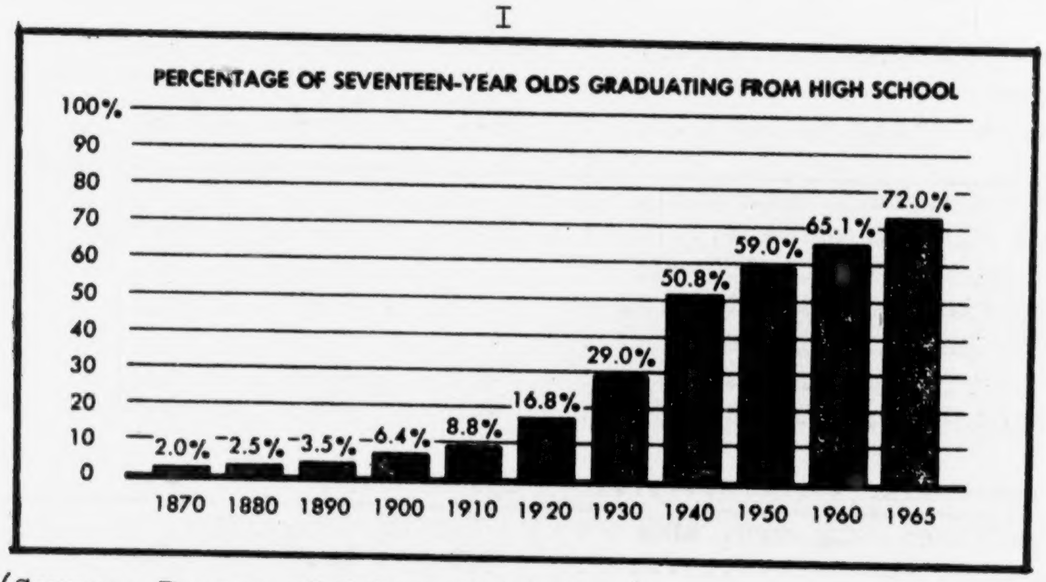
1. Why has there been an increase in white collar workers in the U.S.?
2. Why has there been an absolute decrease in the farming population in this country?
3. How can the shift from a product production economy to a service economy affect employment, education, our economy?

Follow-up Activity

A student committee can update the material above. Students and teachers should be alert to the 1970 Census and the trends it indicates.

C. Using statistics to discover the economic effects of education.

I



(Source: Bureau of Labor Statistics)

Questions for Inquiry and Discovery

1. What has been the trend in education?
2. What effect does this have on the quality of workers in the labor force?

II

Occupation	Average Income (1960) Elem. or J.H.S. Graduate	H.S. Graduate
Bricklayer	5100	6300
Carpenter	4800	5700
Mechanic	5000	5900
Plumber	5700	6700
Bus Driver	4400	5400
Toolmaker	6700	7300
Electrician	6100	6600
Painter	4400	5100
Truck Driver	5200	5700
Fireman	5300	6100

(Source: 1960 Census)

Questions for Inquiry and Discovery

1. What effect does increased education have on a worker's earning power?

2. Why does education provide the opportunity for a greater income?

III

Lifetime Earnings and Education

Less than eight years of elementary school	$189,000
Eight years of elementary school	$247,000
One to three years of high school	$284,000
Four years of high school	$341,000
One to three years of high school	$394,000
Four years of college	$508,000
Five or more years of college	$587,000

(Source: Bureau of Labor Statistics)

Questions for Inquiry and Discovery

1. What is the economic value of a high school diploma over one's lifetime?

2. What effect does a college diploma have on one's lifetime earning ability?

3. What is the relationship between education and income?

Follow-up Activities

1. Have students use the manpower reports of the Bureau of Labor Statistics to show the relationships between

   a. Educational attainment and job mobility
   b. Educational attainment and job security
   c. Educational attainment and economic growth.

*2. Have students write an article and translate Chart II or III into a cartoon for the school

Bricklayer	5100	6300
Carpenter	4800	5700
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*2. Have students write an article and translate Chart II or III into a cartoon for the school newspaper on "Education and Earning Power."

*3. Invite the school vocational counselor or a speaker from the New York State Employment Office to discuss the current and future labor requirements in New York City.

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*Recommended for Students Achieving Below Grade Level.

D. Using a filmstrip to understand why unions developed.

Teachers can use the filmstrip and record - The Growth of the Labor Movement, Part I, Guidance Associations, Harcourt, Brace and World, Pleasantville, N. Y.

Before showing

1. Students should become familiar with some of the names and terminology used in the filmstrip. Review the following with your class:

   AFL-CIO
   collective bargaining
   contract
   industrialization

   scabs
   closed shop
   industrial union

After showing

Questions for Inquiry and Discovery

1. What conditions existed in industry that gave rise to labor unions?
2. What demands did early unions make for workers?
3. What kind of structure did Samuel Gompers establish for workers?
4. What methods were used by employers to thwart the development of labor unions?
5. What was the Federal government's attitude toward the development of labor unions?

Questions for Discussion

1. How has industry's attitude toward labor changed since 1900? Why has it changed?
2. How has the attitude of government changed? Why has it changed?
3. Should workers have the right to join labor unions? Justify your answer.
4. What role should unions play today?

This lesson suggests a good vehicle for Team Teaching.

Monday - Two classes combine to view the filmstrip The Growth of the Labor Movement, Part I. They are given the above questions before the showing. After the showing, the large group is subdivided into groups A, B, C.

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Tuesday - Group A - Discusses questions.
Group B - Discusses questions.
Group C - Goes to the library to prepare a tape for Part II of the filmstrip. The filmstrip and the projector are given to the librarian.

Wednesday - Group A - Goes to the library.
Group B - Discuss questions.
Group C - Discuss questions.

Thursday - Group A - Discuss questions.
Group B - Goes to the library.
Group C - Discuss questions.

Friday - The two classes view Part II of the filmstrip.
The class can listen to and discuss the three different tapes.

Follow-up Activity

1. Students can report on the role of some leaders in the labor union movement.

   What was their philosophy? How well did they succeed?

   Samuel Gompers
   Eugene V. Debs
   William Green
   John L. Lewis
   Walter Reuther
   George Meany
   Sidney Hillman
   David Dubinsky

2. Have students survey a particular labor union to find out how it was organized, membership, leadership, policies, problems, affiliations. Students can be asked to indicate if they would join. How much choice does a worker have in joining or not joining a union?

*3. Use the record The Original Talking Union and Other Union Songs, Folkway Records FH 5285. Play the following three songs: "Talking Union," "Solidarity Forever," "The Union Maid."

Questions for Inquiry and Discovery

1. What reasons are given for joining the union in the song, "Talking Union"?

2. What groups of people are being asked to support labor unions in the song, "Union Maid"?

3. To what tune is "Solidarity Forever" sung? Why was this tune used?

*4. The pictures described below are from a free 64 page booklet entitled Signature of 450,000, which is published by the ILGWU. This booklet may be obtained upon request for class use or transparencies can be made of relevant pictures.

   The teacher may show the following pictures to the class and then discuss their meaning.

   1) Picture of girls in a sweatshop, p. 5.
      -What would it be like to work in a factory like this?
   2) Picture of sign, "If you don't come in Sunday, don't come in on Monday," p. 7.
      -The teacher may wish to play the devil's Advocate and ask: why shouldn't an employer be able to say this to his workers?
   3) Two pictures of children working, pp. 13, 15.
      -What do you think this child would say if he could talk?
      -Why do you suppose this child is working?

5. Using graphs and charts to learn about the size of labor unions in the United States.

I

Union Membership

	1950	1955	1960	1966
TOTAL (Thousands)	15,000	17,749	18,117	19,181
Percent of labor force	22.0	24.4	23.3	22.7
Percent of non-agriculture	31.5	33.2	31.4	28.0
AFL-CIO (Thousands)	12,143	16,062	15,072	16,198
Independent & unaffiliated	2,600	1,688	3,045	2,983

(Source: Bureau Labor Statistics)

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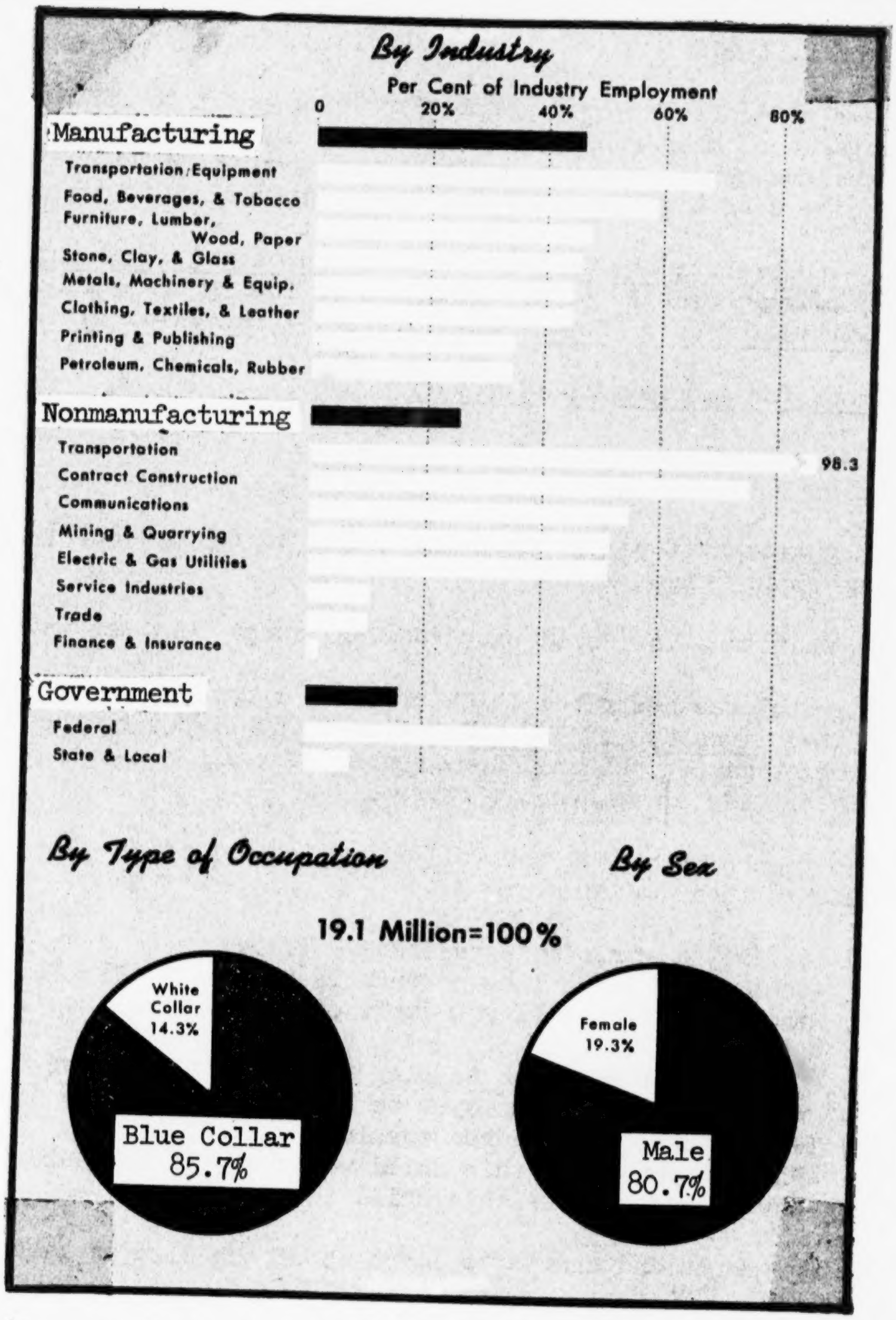
Questions for Inquiry and Discovery

1. What portion of our total labor force was unionized in 1966?

2. How much has this changed over the last 20 years?

II

Distribution of Union Membership, 1966



(Source: National Industrial Conference Board, Inc.)

Questions for Inquiry and Discovery

1. What types of occupations have the greatest degree of unionization?

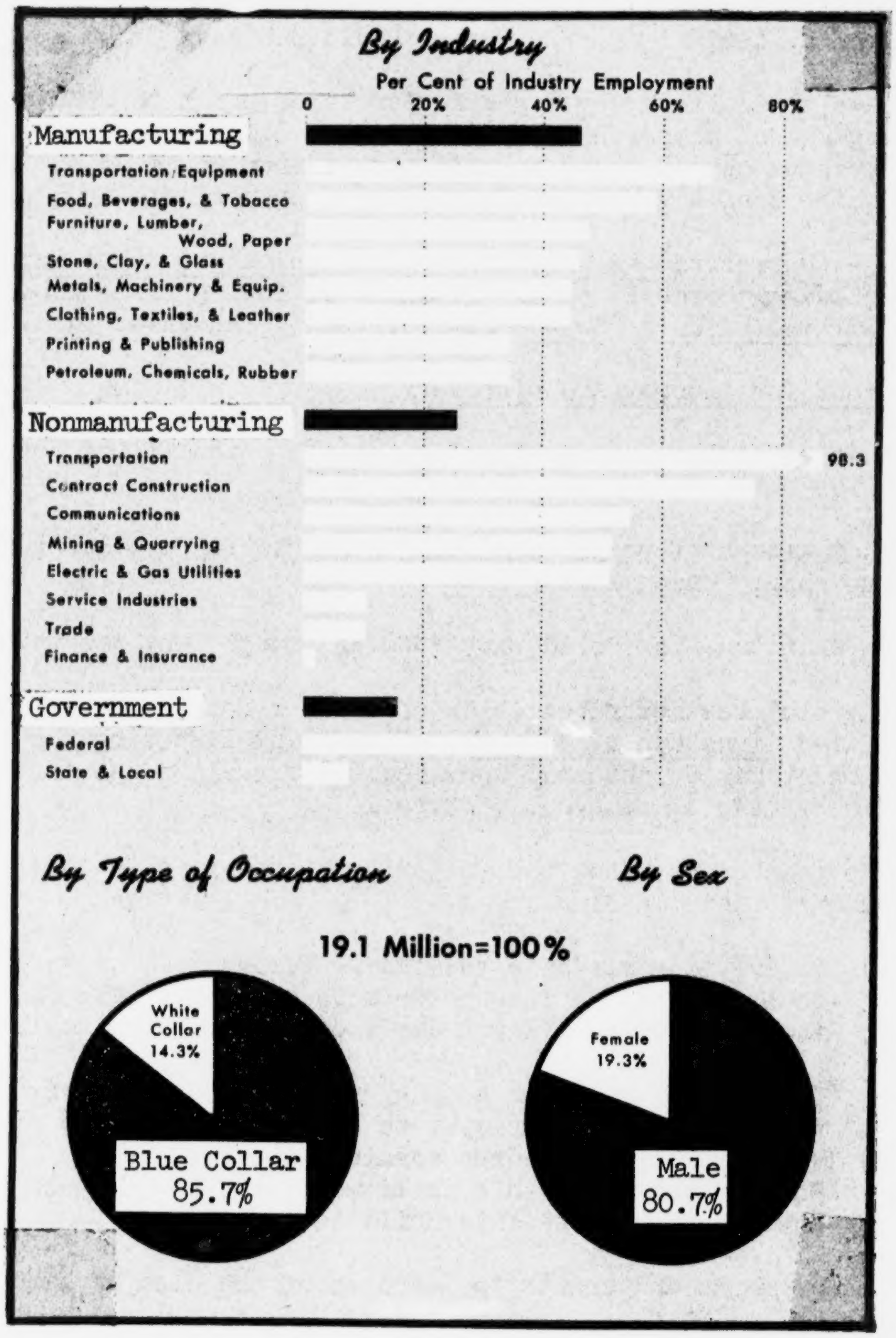
2. Why do you find greater union membership among blue collar workers than among white collar workers?

3. Why do more men than women join unions?

Individual Project

II

Distribution of Union Membership, 1966



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Questions for Inquiry and Discovery

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3. Why do more men than women join unions?

Individual Project

A student can be assigned to update the material above to note continuing or changing trends.

E. Using a questionnaire to understand the function of labor

Students can gather data by interviewing people who are members of unions. Some students also belong to unions and can fill out the questionnaire themselves. This data can be used by the class to understand:

1. The organization and structure of unions
2. The function of unions
3. Collective bargaining goals
4. The appraisal of unions by the public.

QUESTIONNAIRE ABOUT LABOR UNIONS

1. You are a member of Local_____of the ______________________________

2. Is this union affiliated with the AFL-CIO or is it independent?__________

3. The dues are_____per_____. Initiation fee is ____________________

4. Are there any special assessments?_____ How much?____________________
For what purposes are they used?______________________________

5. About how many members are there in your local?_____In the national?_____

6. How often are membership meetings held?_____ Do you go?______________
About how many members attend?_______

7. Who is the president of the local?______ Of the national?____________

8. Do your fellow members take an active part in the discussions at the meetings, or do they merely listen?____________________
In what other ways are you and your fellow members active in the union?
____

Does your union have social activities?____________________

" " " " educational activities?____________________

" " " " health services?____________________

" " " " death benefits, pensions, etc.?________________

Any other special activities?______________________________

9. Has your union had any strikes in recent years?__________When?_______

How long?______________For what purpose?____________________

Was the strike successful?____________Why or why not?______________

10. Do you think that your union is run honestly?____________________

" " " " " " " " democratically?________________

" " " " " " has benefited its members?______________

In what ways?______________________________________

Do you have any criticisms of your union?____________________

____

Follow-up Activities

1. Invite a representative of a local union to speak to class on what it means to belong to a union. Time should be set aside for a question and answer period. Students should prepare questions such as: What benefits do I get from joining a union? How much voice will I have in union decisions and policies? What is the yearly cost in dues?

*2. Show the film "Life Insurance - What It Is. What It Does." (Institute of Life Insurance, 277 Park Ave., New York, NY 10017.)

Before Viewing

Define the following terms:

Beneficiary	Cash Surrender Value
Grace Period	Premium
Dividends	

During Viewing

What is meant by each of the following:

Straight Life	Group Life Insurance
Term Insurance	Endowment

After Viewing

1. What is the benefit of each type of insurance plan?
2. What are the major drawbacks to each plan?
3. What is the difference between regular term and decreasing term insurance?

Teachers can obtain for class use the pamphlet "You and Your Family's Life Insurance" and other pamphlets available from the Institute of Life Insurance to clarify the different policies available and the dollar value of each.
Teacher reference - "Life Insurance", Consumer Reports, January, February, March, 1967.

Follow-up Activities

1. Students can write to the various local health groups for information. A bulletin board display can be made of the materials collected. Several students can compile a chart comparing the services offered by each plan.

2. Role playing can be used to reinforce previous learning as well as to develop an understanding of automobile insurance.

   Students can portray the following characters: car salesman, shopper, bank officer, parent, insurance salesman.

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   1) Role playing the purchase of a car should include a review of how to be a wise consumer and the cautions of credit buying.

   2) The playing with the insurance salesman can develop an understanding of the reasons for automobile insurance and the types of coverage.

   3) Role playing with the parent can develop an open-ended portrayal of the pros and cons of teen-age car ownership.

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*Recommended for Students Achieving Below Grade Level.

F. Using role playing to learn about collective bargaining

Role playing can be used over a period of several days to dramatize the procedures of collective bargaining and of grievance machinery.

Assign students to the following roles:

1. Union organizers
2. Shop stewards
3. Union Grievance Committee
4. Management Committee
5. Rank and file union members
6. Mediator
7. Reporters

A brief discussion of the functions of each group will clarify the role of each student in the class.

Have the class carry out the following tasks:

1. Resolving a grievance, e.g., the length and frequency of coffee breaks

2. Negotiating a contract - items to be negotiated by each side as well as to be written in the form of a contract.

Hourly Wage Rate

Present	$2.25	Time and 1/2 after 40 hours
Union proposal	2.60	Double time " " "
Last company offer	2.35	Time and 1/2 " " "

Paid Vaction and Sick Leave

Present	2 weeks/year.	5 days paid sick leave
Union	4 " "	10 " " " "
Company	3 " "	5 " " " "

Prospective layoffs in view of the coming of automation

1. Know that company plans technological changes using automation methods. Possible to reduce labor force 2000 or more within next six months.

2. Union - seniority basis for retention
   3 months severance pay to each employee with more than two years service who is laid off

3. Company - Has not agreed to either. May be biggest problem in way of compromise agreement.

3. The role of the labor mediator in collective bargaining.

Have reporters record each session for quick reference when needed. Reporters interview members of various groups and publish daily analyses of the proceedings.

Follow-up Activities

1. Have students indicate whom they really supported (outside their role playing).
   How did the position you were in affect your understanding and evaluation of the situation?

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2. Have students write a sample contract that includes all items agreed to in negotiations. After this is done, a comparison can be made with an actual contract (i.e. UFT) to see the areas of similarity and difference. The teacher raises the following questions:

The teacher raises the following questions:

a. What relevant economic issues were raised during the exercise?
b. Why was it in everyone's interest to achieve a resolution?
c. Which goals were most desirable for each group from an economic point of view?
d. How did this exercise differ from reality?

3. Use the sound filmstrip The Growth of the Labor Movment Part II, Harcourt, Brace and World, Inc. to see and hear the views of a union representative, management and a mediator on the collective bargaining process.

Questions for Inquiry and Discovery

1. What is the role of the union negotiators during labor-management negotiations? Management? Mediator?

2. What is the atmosphere around the bargaining table as the strike deadline approaches?

3. What is labor's view on the role a prospective strike has on the bargaining process? Management's view?

4. What alternatives are there to strikes?

*4. To reinforce previous learnings, play tic-tac-toe. Instead of using x's and o's, let x = l, powers of labor unions, and o = m, powers of management. The students can fill in the following diagram, marking an "M" or "L" and listing the specific power.

L: Strike		

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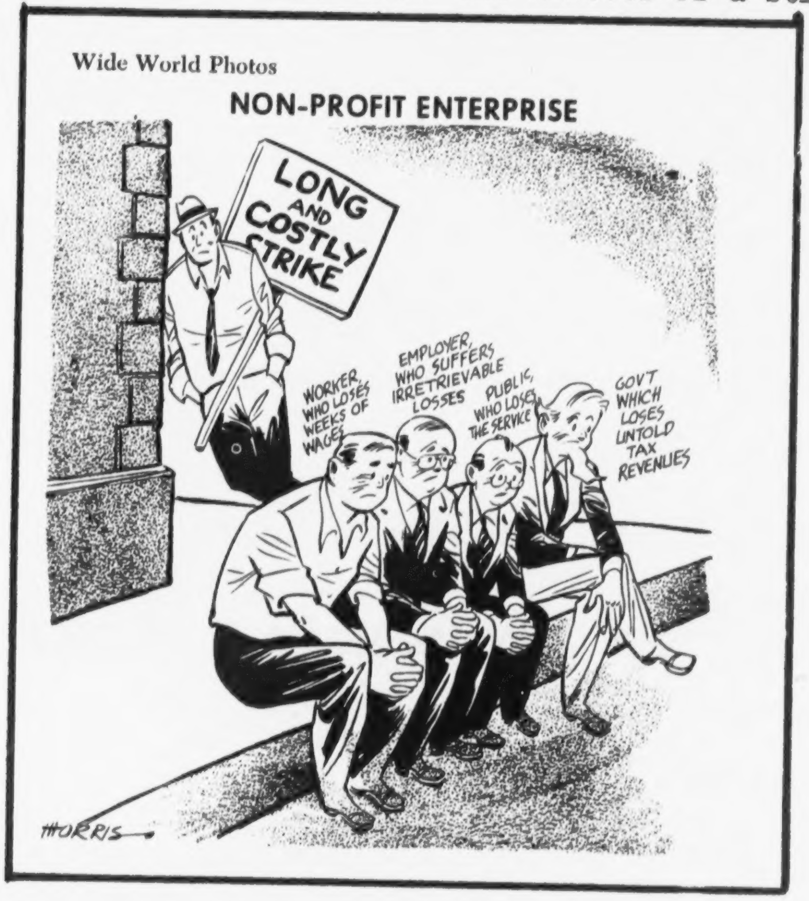
*Recommended for Students Achieving Below Grade Level

G. Using a cartoon to understand the effects of a strike on our economy.



Wide World Photos

NON-PROFIT ENTERPRISE

LONG AND COSTLY STRIKE
WORKER WHO LOSES WEEKS OF WAGES
EMPLOYER WHO SUFFERS IRRETRIEVABLE LOSSES
PUBLIC, WHO LOSES THE SERVICE
GOVT WHICH LOSES UNTOLD TAX REVENUES

Questions for Inquiry and Discovery

1. What effect does a strike have on the worker?

2. What effect does a strike have on an employer?

3. How are the public and government affected by a strike?

4. Why is this cartoon called Non-Profit Enterprise? Is this a good title? Why?

Questions for Small Group Discussions

1. Samuel Gompers summarized the goals of labor when he said they wanted "More!" Should this be the goal of labor unions?

2. Should unions play other roles in our economy?

3. What issues are worth striking for?

Follow-up Activities

1. Students use their questionnaires to analyze a case study of a strike --

   a. What were the issues?
   b. What pressures were used by the union? by management?
   c. Was the strike justified?
   d. What do you think of the outcome?

2. Teacher uses Strike in the Springboards Series by Postal Press Inc. for an analysis of why the Pullman strike occurred.

Questions for Inquiry and Discovery

1. Why is Mr. Gordon opposed to unions?
2. Why is his son Steve in favor of the union cause?
3. Why did violence occur? Who started the riot?
4. Who suffered because of the strike?
5. Should workers strike? Defend your answer.

3. The following chart indicates the time lost due to strikes:

TIME LOST IN STRIKES 1935-1964

Period	Number Strikes (Annual Average)	Workers Involved (Annual Average in Thousands)	% of Working Time Lost
1935-39	2862	1130	0.27
1940-44	3754	1286	.16
1945-50	4210	2940	.61
1951-55	4540	2540	.31
1956-60	3602	1620	.29
1961	3210	1466	.15
1962	3612	1230	.16
1963	3362	941	.13
1964	3655	1640	.18
1965	3963	1550	.16
1966	4010	1740	.17

Source - U.S. Department of Labor

Questions for Inquiry and Discovery

1. What has been the trend for time lost due to strikes since 1935?
2. What has been the trend since 1960?
3. Does this chart show that there have been too many strikes?
4. What

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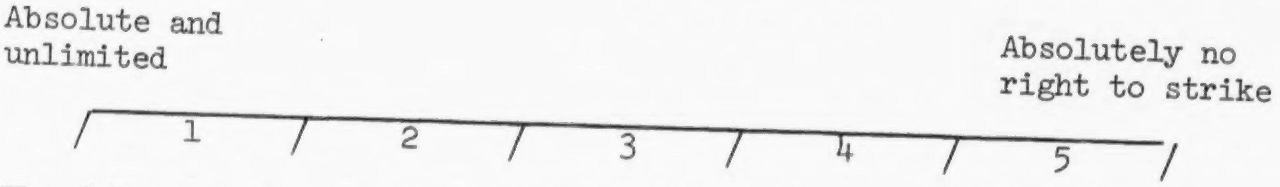
Questions for Inquiry and Discovery

    1. What has been the trend for time lost due to strikes since 1935?
    2. What has been the trend since 1960?
    3. Does this chart show that there have been too many strikes?
    4. What criteria would you use to judge?

4. Students may examine their values by resolving these questions:

--Should all workers have an equal and unlimited right to strike?
--Should limits be placed on some worker's right to strike?

Have students place the letter of an occupation at that point of the continuum that best corresponds to the degree to which he thinks each group's right to strike should be listed. Students should be prepared to justify their choices.



The following groups of workers might then be presented; students might place each group at some appropriate place on the continuum. After all groups have been placed, class sentiment might be polled and reasons explored.

a. public school teachers
b. police officers
c. soldiers
d. commercial pilots
e. workers in a toy factory
f. dairy farmers
g. radio-TV announcers
h. gas station attendants
i. physicians
j. toll collectors
k. auto manufacturers
l. bank tellers
m. private school teachers
n. astronauts
o. baseball players
p. bus drivers
q. workers in a defense plant
r. workers in a clothing factory
s. grave-diggers
t. telephone operators
u. firemen
v. stevedores
w. secretaries and office workers
x. postmen

After discussing the degree to which each group "should" have the right to strike, students might investigate the degree to which that right is recognized in American life today. Other students might investigate methods for the amelioration of grievances by those groups to whom they would deny the right to strike.

4.a. A panel can be set up to discuss the following questions:

Should strikes in the steel industry be outlawed?
Should compulsory arbitration be requred for all government employees?

5. The grape pickers' strike can be used as a case study of a strike to gain collective bargaining rights. Have students read the following New York Times School Supplement account of the strike.

By DICK MEISTER

SAN FRANCISCO

California's vineyard workers always have been better off than most farm workers. Their generally prevailing base wage of $1.50 an hour is higher than most, for instance, and, on some days, individuals can make two or even three times as much through piece rates that provide bonuses—generally 15 cents to 25 cents — for every box of grapes picked. Growers repeatedly point to these wages and the fact that vineyard workers are less migratory than most, and note that they have injury insurance and are covered by state housing, safety and sanitation regulations and, in some cases, by minimum-wage laws.

Yet the vineyard workers also average far less on a yearly basis than the $3,000 poverty-level figure (somewhere between $2,000 and $2,300, according to union figures) are lucky to find more than six months of work in any year, and are rare indeed if they can afford to keep their children from joining them in the vineyards. Overtime pay, paid holidays, vacations, sick leaves, pensions and unemployment-insurance benefits generally are denied them . . . and those few laws that are supposed to provide them some rudimentary protections are but laxly enforced. Practically nothing is guaranteed them; they can be fired at any time. for any reason.

In brief, says a strike leader: "The work is back-breaking, it is temporary, and it still leaves us almost at the bottom, standing ahead only of even more destitute farm workers in other states."

Now at least some of the vineyard workers want union bargaining rights—the weapon that has been dangled before them for so long as the only way to give them a voice in their own

STRIKE!
HUELGA!
HUELGA!
STRIKE!

STRIKE!
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STRIKE!

Behind the Grape Boycott

By DICK MEISTER

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Now at least some of the vineyard workers want union bargaining rights—the weapon that has been dangled before them for so long as the only way to give them a voice in their own destinies. But here, too, the law has ignored them. Under the National Labor Relations Act, most industrial employers must bargain collectively with their workers if a majority of the workers prove thay want to bargain, and then must sign a contract with the workers' union. But farm employers have managed, thanks in part to a powerful lobby, to remain exempt from the law since it was enacted in 1935.

That, in essence, is why the pickets are in front of the supermarkets. If the law will not make grape growers bargain, the pickets and their supporters hope they can, by shutting off sales of the growers' produce.

(Source: New York Times)

Questions for Inquiry and Discovery

1. Why do the workers want to join a union?

2. Why do the growers feel there is no need to unionize?

3. What setbacks are the grape pickers using to overcome the obstacles to unionization?

4. Is the strike justified? Why?

5. Are strikes for reasons other than unionization justified? Under what circumstances?

Follow-up Activity

**1. Students can be given the opportunity to devise a labor policy for agriculture based on the following:

   a. Last May the Nixon Administration proposed establishment of an independent farm labor relations board, and also that the right to organize be given to farm workers. Nixon's proposal would limit the right of farm workers to strike and boycott. If you had the choice of accepting both provisions or neither, which course would you follow?

   b. Cesar Chavez, leader of the National Farm Workers Association, is insisting that any contract drawn up between farm workers and growers provide for compulsory union membership of all workers. This provision - the closed shop - is forbidden to industrial workers under the Taft-Hartley Act, which does not cover agricultural workers. Growers and some workers oppose this provision, stressing the worker's right to work without having to join a union. What justification might be behind the union's and the growers' positions? Which position is most valid for conditions in agricultural employment?

   After considering all the foregoing, devise a labor policy for agriculture. Consider as many of the following elements as possible. You may wish to add others.

   c. Rights of Employers

      1) The right to seek injunctions in court to stop a strike or boycott
      2) The right to commission an advertising agency to present the employer's view to the public
      3) The right to hire and fire any worker without giving justification to a union
      4) The right to break strikes by bringing in other workers - called scabs by union men

   Rights of Workers

      1) The right to organize and bargain collectively
      2) The right to compulsory union membership of all workers
      3) The right to picket the place of employment and places of business selling the employer's products
      4) The right to decide who should belong to their union

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3) The right to picket the place of employment and places of business selling the employer's products
4) The right to decide who should belong to their union
5) The right to boycott the employer's products
6) The right to a minimum hourly wage
7) The right to door-to-door wages, including travel time
8) Guarantee of a minimum number of days of work

**Recommended for Students Achieving Above Grade Level

*6. Students can survey the public to define their attitude toward strikes by public employees. The chart below can be employed.

WORK STOPPAGE — DO YOU THINK . . .

	Have satisfactory working conditions		Are paid enough		Should be allowed to strike	
	YES	NO	YES	NO	YES	NO
ERS						
ORTATION						

WORK STOPPAGE — DO YOU THINK . . .

	Have satisfactory working conditions		Are paid enough		Should be allowed to strike	
	YES	NO	YES	NO	YES	NO
TEACHERS						
FIREMEN						
POLICE						
MAILMEN						
WELFARE WORKERS						
PUBLIC TRANSPORTATION WORKERS						

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*Recommended for Students Achieving Below Grade Level

Questions for Discussion

1. Do most people feel public employees are paid enough?
2. Should they be allowed to strike for higher wages? Other reasons?
3. What alternatives can be offered if the right to strike is denied?

**Indivudal Project

Students can research the effectiveness of the Condon-Wadlin Act in labor management disputes, i.e. New York Transit Strike, Teachers Strike.

H. Using a newspaper article to understand some of the labor problems of New York.

MAYOR AND GOVERNOR: KNEE-DEEP IN TROUBLE

By A. H. Raskin

New York City became the world's largest garbage dump last week. A strike by the city's 10,000 unionized sanitation employees caused towering mounds of filth to accumulate in rich neighborhoods and in poor, created a city wide peril of disease and fire and threatened a permanent legacy of civic torture in the form of a population explosion among rats and vermin.

Relief for the 8 million New Yorkers came with announcement last night that a settlement had been reached. But even after the city has dug its way out of the litter, it will have an even rougher job to solve: how to stabilize relations between the city and its 300,000 civil service workers so that strikes and strike threats will no longer be a way of life for the strike-groggy metropolis.

Finding an answer was complicated by the poorly disguised hostility between the two men with chief executive responsibility for New York's welfare - Mayor John V. Lindsay and Gov. Nelson Rockefeller. The two Republicans, both prominently mentioned for places on the G.O.P.'s 1968 national ticket, have never had much love for each other. Last week their relations reached bottom when the Governor rejected a Lindsay plea for National Guard aid in moving the garbage and pushed through a peace plan of his own. The union promptly accepted the Rockefeller plan; the Mayor even more promptly rejected it - and the blanket of garbage grew deeper in the city streets.

ROWDY RALLY

The strike started Friday, Feb. 2, at a rowdy rally of members of the Uniformed Sanitation Men's Association at City Hall. The union's old one-year contract had expired seven months earlier, but its president, John J. DeLury, had been in no hurry to get a new one. With a guarantee from the city that benefits would be retroactive, he was content to see how much money the city gave other powerful unions - notably those in the schools and the subways - before he made any deal for his men.

When this year's sanitation talks got to the action stage, the Mayor designated two special mediators to help break a deadlock over how big the wage package should be. They came up with a recommendation

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Finding an answer was complicated by the poorly disguised hostility between the two men with chief executive responsibility for New York's welfare - Mayor John V. Lindsay and Gov. Nelson Rockefeller. The two Republicans, both prominently mentioned for places on the G.O.P.'s 1968 national ticket, have never had much love for each other. Last week their relations reached bottom when the Governor rejected a Lindsay plea for National Guard aid in moving the garbage and pushed through a peace plan of his own. The union promptly accepted the Rockefeller plan; the Mayor even more promptly rejected it - and the blanket of garbage grew deeper in the city streets.

ROWDY RALLY

The strike started Friday, Feb. 2, at a rowdy rally of members of the Uniformed Sanitation Men's Association at City Hall. The union's old one-year contract had expired seven months earlier, but its president, John J. DeLury, had been in no hurry to get a new one. With a guarantee from the city that benefits would be retroactive, he was content to see how much money the city gave other powerful unions - notably those in the schools and the subways - before he made any deal for his men.

When this year's sanitation talks got to the action stage, the Mayor designated two special mediators to help break a deadlock over how big the wage package should be. They came up with a recommendation giving the sanitation men a package with increases, on a percentage basis, roughly comparable with those given other city employees. The package keyed to the city-wide pattern called for a two-bite increase - $300 a year, retroactive to July 1, and another $100, retroactive to Jan. 1. The old scale started at $6,424 and went up to a ceiling of $7,956.

**Recommended for Students Achieving Above Grade Level

The mediators' proposal was signed by Mr. DeLury and his negotiating committee; but it was tossed into the ashcan by the union's 400 stewards. At the City Hall membership rally the reaction was even colder by sanitation workers. The rank and file roughed up their leader, one even threw an egg, when he insisted they had to take a secret ballot if they wanted to strike. Mr. DeLury panicked and told them it was "go-go-go." They went; the garbage didn't. And then the city, which had privately agreed to the proposal, said it, too, wouldn't buy it.

The walkout presented another major test for the state's new Taylor Law, already badly battered, even though it did not go into effect until last Sept. 1. The law, drafted by five prominent labor-management experts under the chairmanship of Prof. George W. Taylor of the University of Pennsylvania, was intended to make the long-standing legal ban on strikes of public employees workable through a balanced combination of peace procedures and penalties. It was passed by the Legislature last year under strong pressurefrom Governor Rockefeller who hailed it as a national model for harmonious civil service labor relations.

New York Times, 1968

Questions for Inquiry and Discovery

1. What caused the garbage strike?
2. Were the demands justified? Why?
3. What problems did the strike threat pose for the city?
4. How did the city propose to deal with the strike threat?

Questions for Discussion

1. How effective was the Taylor Law in dealing with a Civil Service Union?

   What are the alternatives?

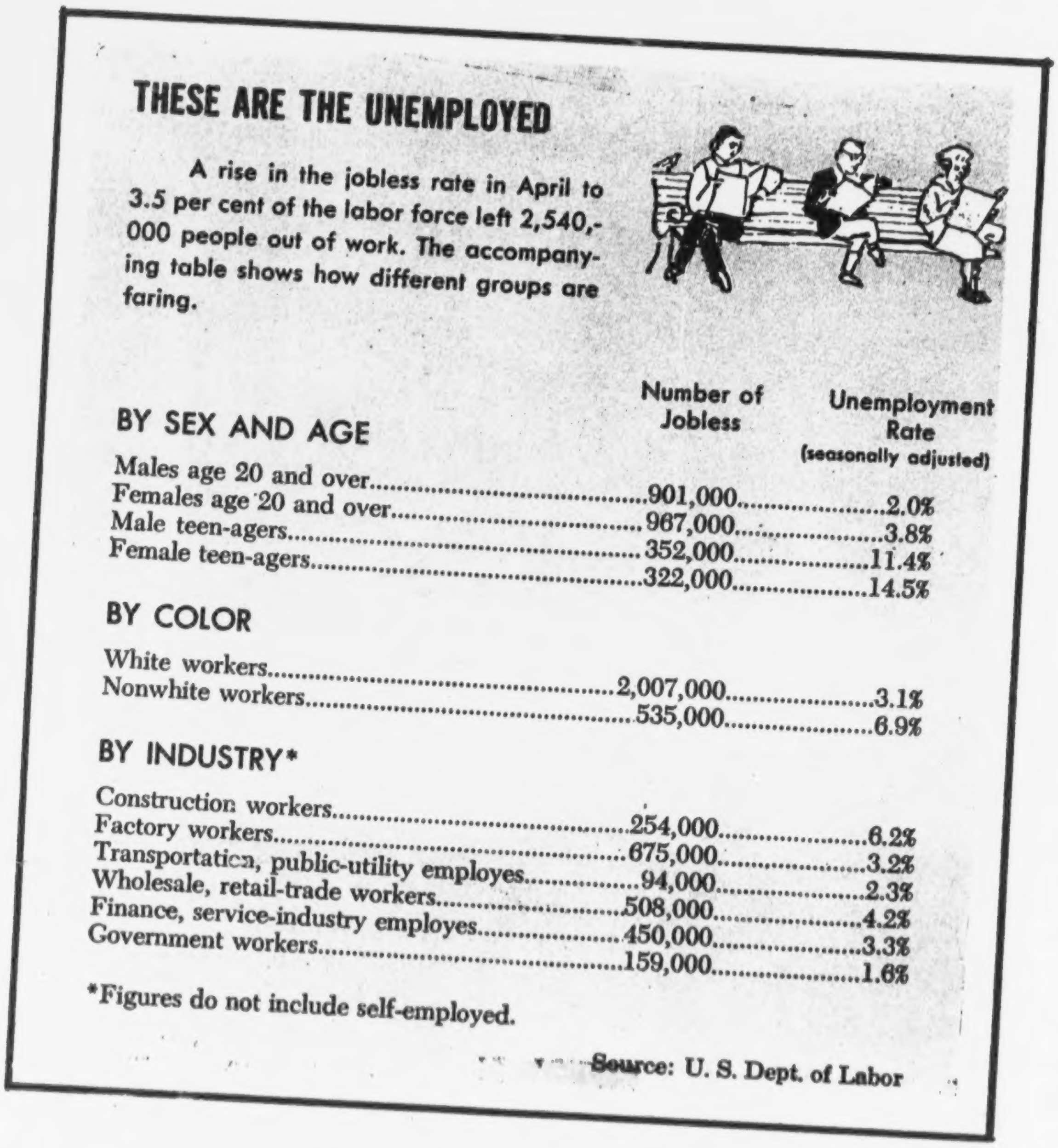
2. As government employment grows, what problems do you see for New York City?

   How can they be met?

Exotic d
Colt 45
GABLINGER'S BEER

THE GARBAGE pileup in New York City led to a health emergency.

I. Using and interpreting statistics to learn about unemployment.



THESE ARE THE UNEMPLOYED

A rise in the jobless rate in April to 3.5 per cent of the labor force left 2,540,000 people out of work. The accompanying table shows how different groups are faring.

	Number of Jobless	Unemployment Rate (seasonally adjusted)
BY SEX AND AGE		
Males age 20 and over	901,000	2.0%
Females age 20 and over	967,000	3.8%
Male teen-agers	352,000	11.4%
Female teen-agers	322,000	14.5%
BY COLOR		
White workers	2,007,000	3.1%
Nonwhite workers	535,000	6.9%
BY INDUSTRY*		
Construction workers	254,000	6.2%
Factory workers	675,000	3.2%
Transportation, public-utility employes	94,000	2.3%
Wholesale, retail-trade workers	508,000	4.2%
Finance, service-industry employes	450,000	3.3%
Government workers	159,000	1.6%

*Figures do not include self-employed.

Source: U. S. Dept. of Labor

(From U.S. News & World Report, May 19, 1969)

Questions for Inquiry and Discovery

1. What categories show the highest degree of unemployment?
2. What is the relationship between male and female unemployment? How can we explain this?
3. What is the relationship between unemployment among those above age 20 and those below age 20? How can we explain this?
4. What is the relationship between white and non-white unemployment rates?

   How can this be explained?
5. What types of industries have the greatest degree of unemployment? Why?

Questions for Discussions

1. Unemployed youth is a serious problem and is getting more severe. Why does this problem exist?

   What can be done about it?

2. Racial discrimination is a factor causing unemployment. How can we deal with this problem in industry? In unions?

3. What role should the government play in eradicating unemployment? What role for unions? Industry?

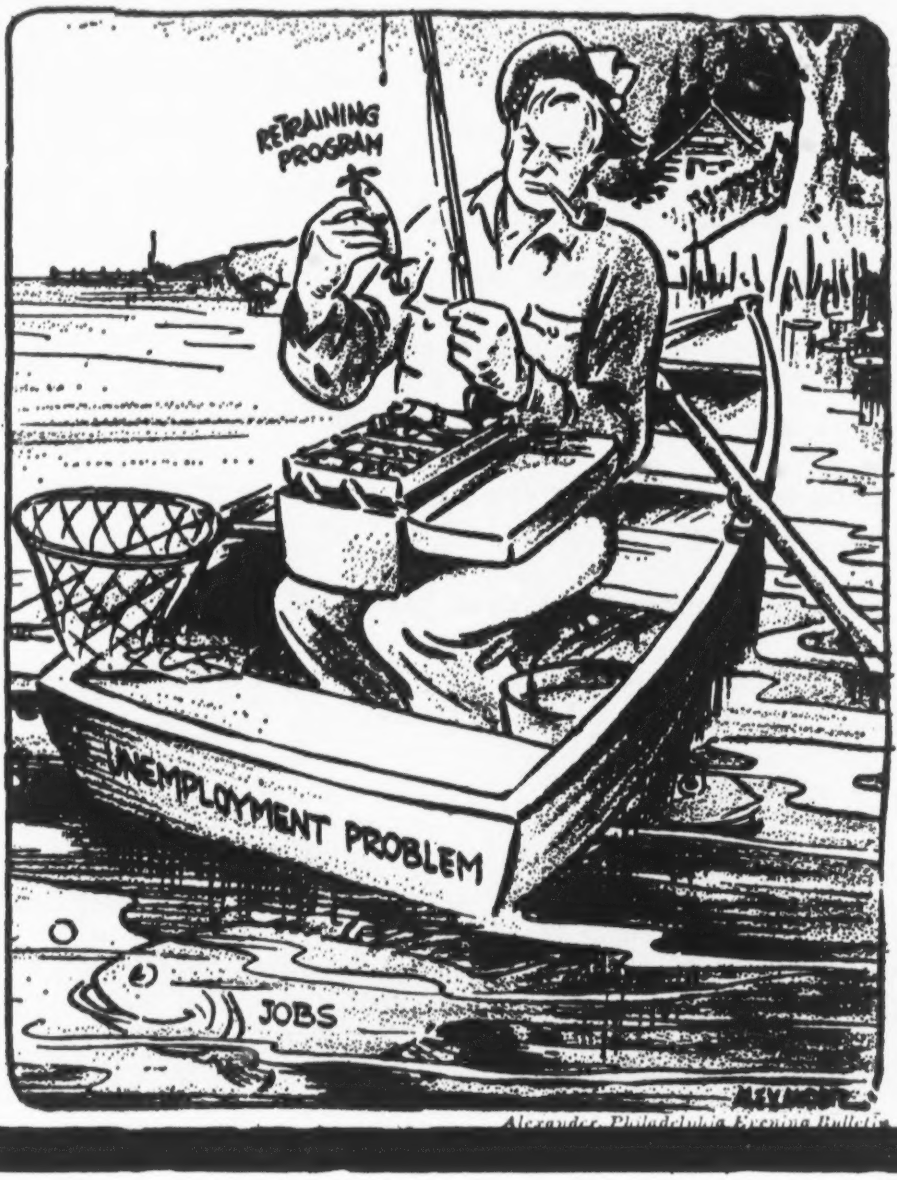
4. Would a quota system similar to the "Philadelphia Plan" be desirable?

Follow-up Activities

1. Students prepare a slide-tape on the problem of unemployed youths. Slide pictures can be taken and edited with a student - prepared tape recording to be presented to class. Issues such as the causes of unemployment among the young, problems of "dropouts," public and private programs can be examined.

2. An analysis of the postion of the AFL-CIO can be made by reading the reprints from the American Federationist June 1968 and April 1963 deal with unemployed youth.

*3. The cartoon below can be used to teach a lesson on how man adapts to automation and vocational change.



Alexander, Philadelphia Evening Bulleti

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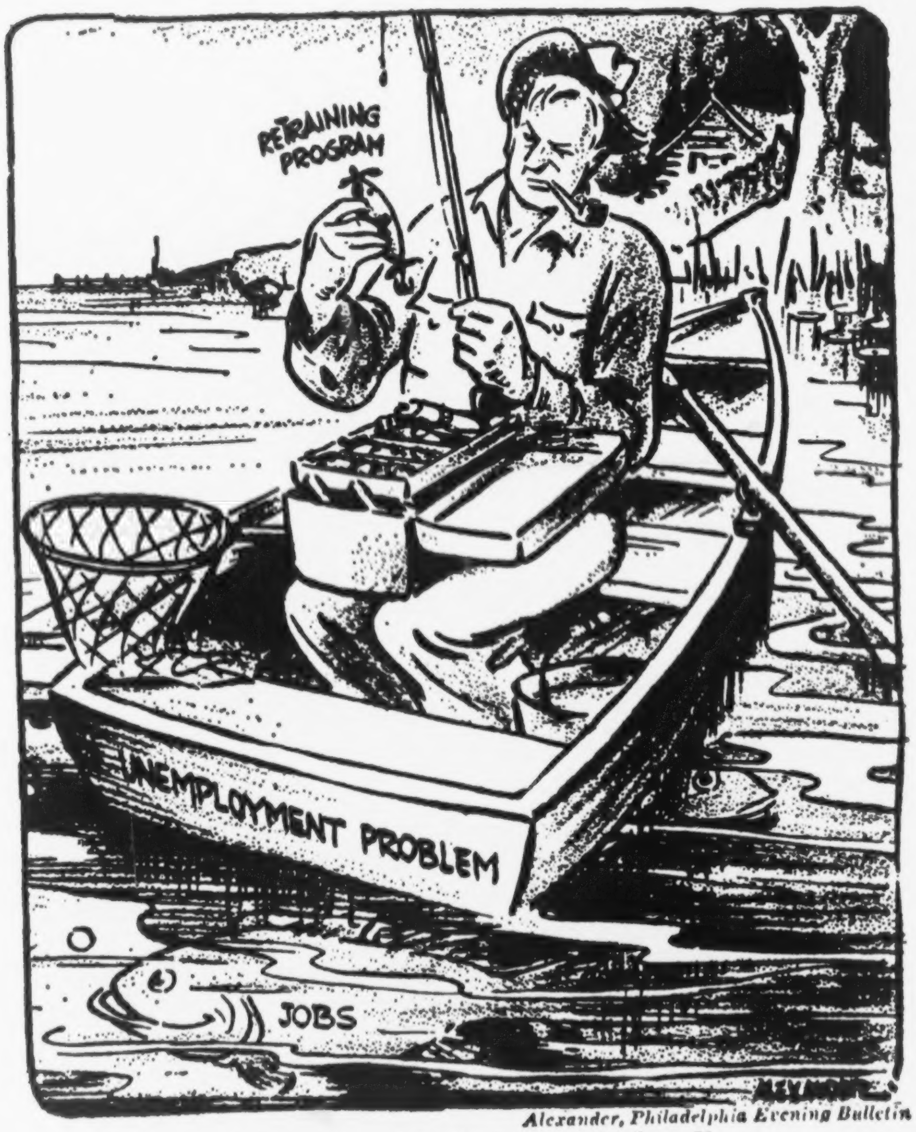

Alexander, Philadelphia Evening Bulletin

"Question of finding the right lure."

---

*Recommended for Students Achieving Below Grade Level

Questions for Inquiry and Discovery

1. What do the following things stand for in the cartoon?

   The man
   The lure
   The boat
   The fish

2. How would you catch this fish?

3. Why is the retraining program important?

J. Using a sound filmstrip to understand the meaning of automation.

Teachers can make use of the Guidance Associates record Automation: Promise or Threat? to develop an understanding of what automation is and why its introduction raises questions for our economy.

Before Viewing

1. Vocabulary review:

   electronic
   industrial revolution
   innovation
   leisure
   mass production
   technology
   transistor

2. How did mechanical devices help make the moon landing program successful?

Questions During Viewing

1. What changes has automation brought about in the fields of education, science, medicine, industry?

2. What is the role of man under a system of automation?

Questions for Inquiry and Discovery

1. What can machines do that man cannot?

2. What can man do that machines cannot?

3. What jobs are being made obsolete by automation?

4. What effect does automation have on production? Management? Workers? Living standards?

5. What social changes have been produced by automation?

6. Why did President John F. Kennedy call automation "the major domestic challenge of the sixties?"

Follow-up Activities

1. Students can report on advantages

The boat
The fish

2. How would you catch this fish?

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Follow-up Activities

1. Students can report on advantages and disadvantages of the proposals made by labor unions to ease the impact of automation.

Adjusting to Automation - AFL-CIO American Federationist #144, January 1969, can be used to develop such alternatives as:

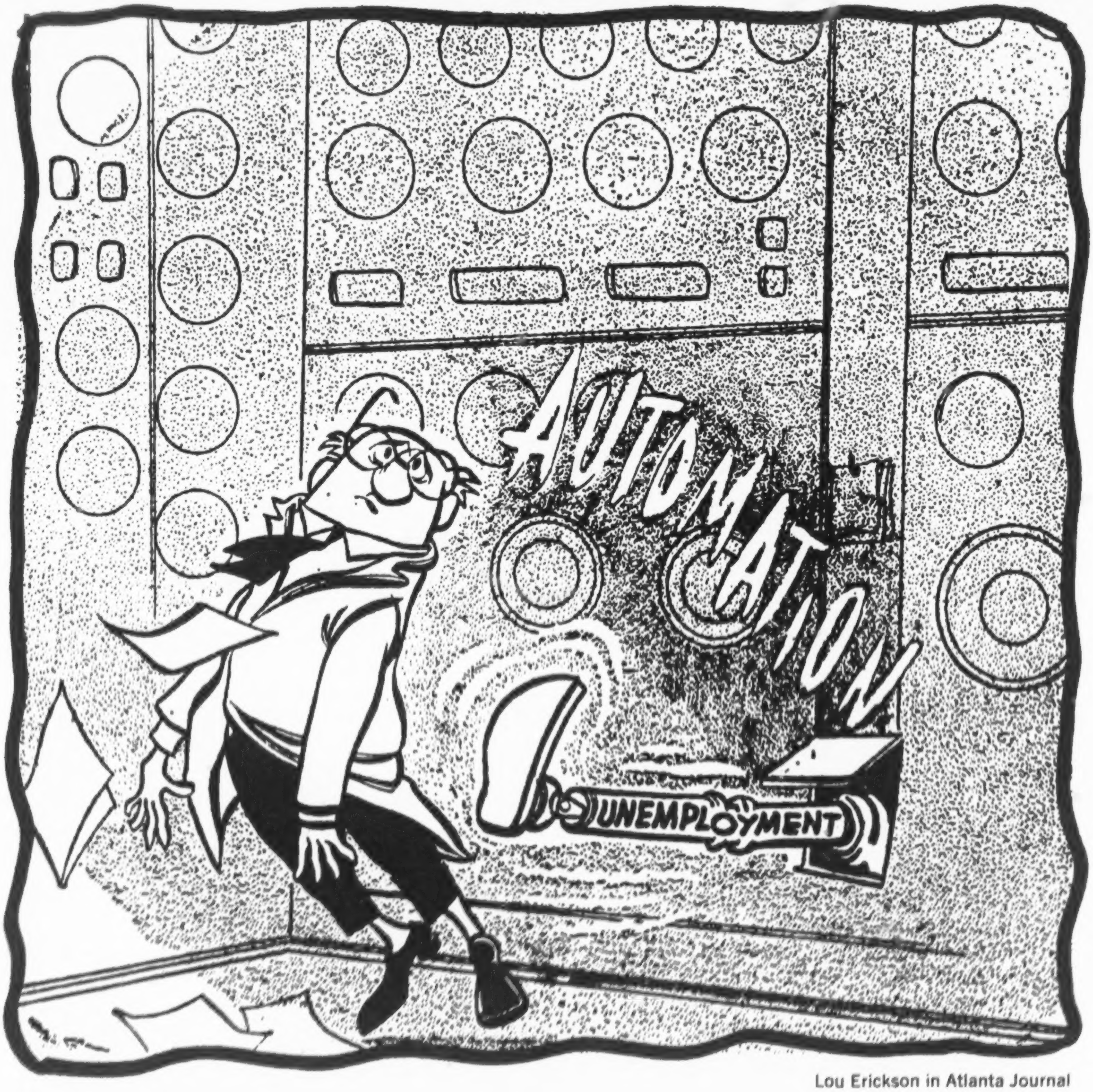
attrition clauses
income guarantees
retraining
SUB
transfer rights
severance pay
early retirement
shorter work week

2. Students can develop projects to show the impact of automation in new fields, i.e., art, music, dating.

   a. How does each reflect our technological age?
   b. How has automation affected each?
   c. Has the change been an improvement?

*3.

“Feedback”



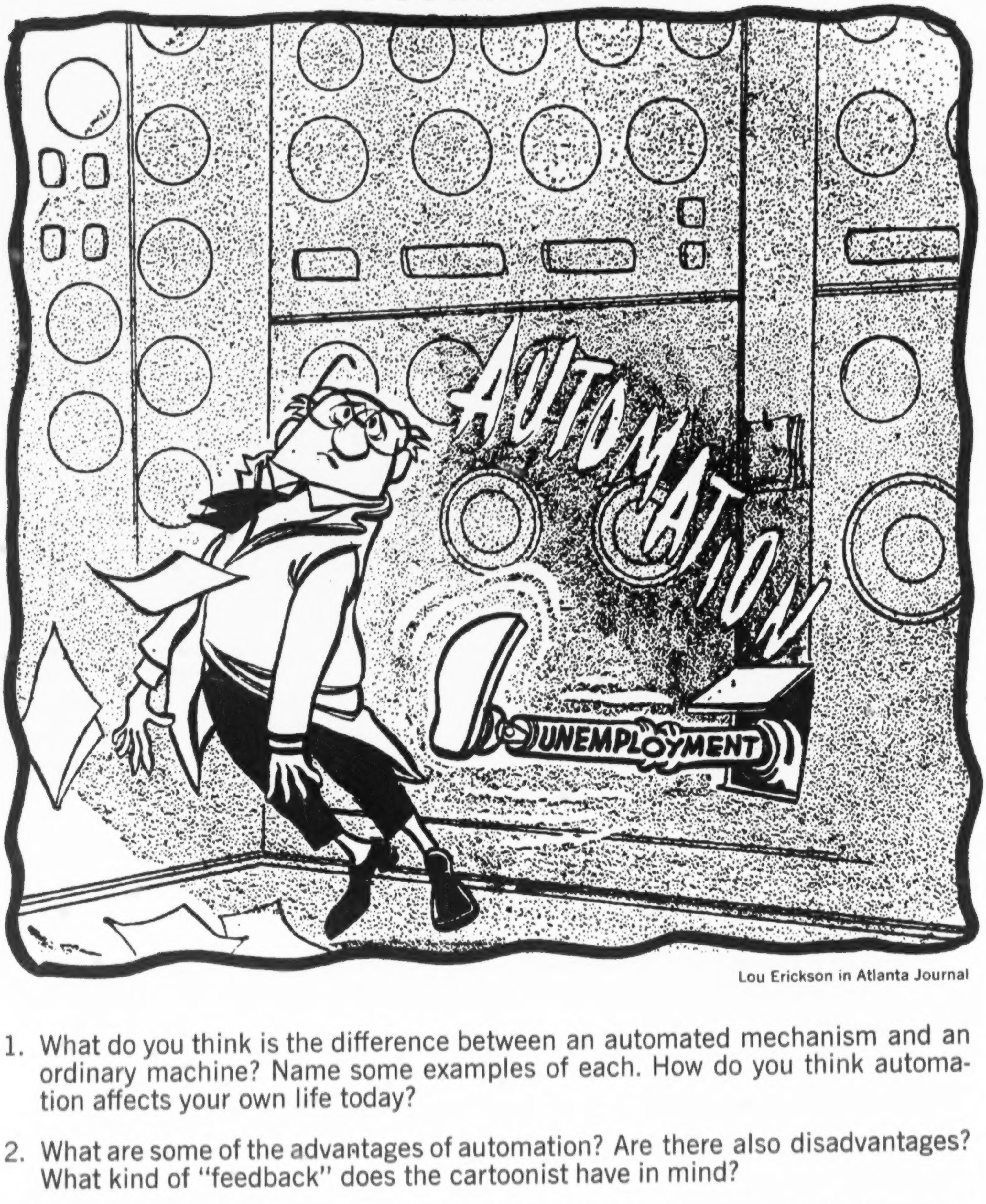
Lou Erickson in Atlanta Journal

1. What do you think is the difference between an automated mechanism and an ordinary machine? Name some examples of each. How do you think automation affects your own life today?

b. How has automation affected each?
c. Has the change been an improvement?

*3.

"Feedback"



Lou Erickson in Atlanta Journal

1. What do you think is the difference between an automated mechanism and an ordinary machine? Name some examples of each. How do you think automation affects your own life today?
2. What are some of the advantages of automation? Are there also disadvantages? What kind of "feedback" does the cartoonist have in mind?
3. In your opinion, will automation eliminate or create more jobs in the long run? Explain. How do you think this will affect your own future?

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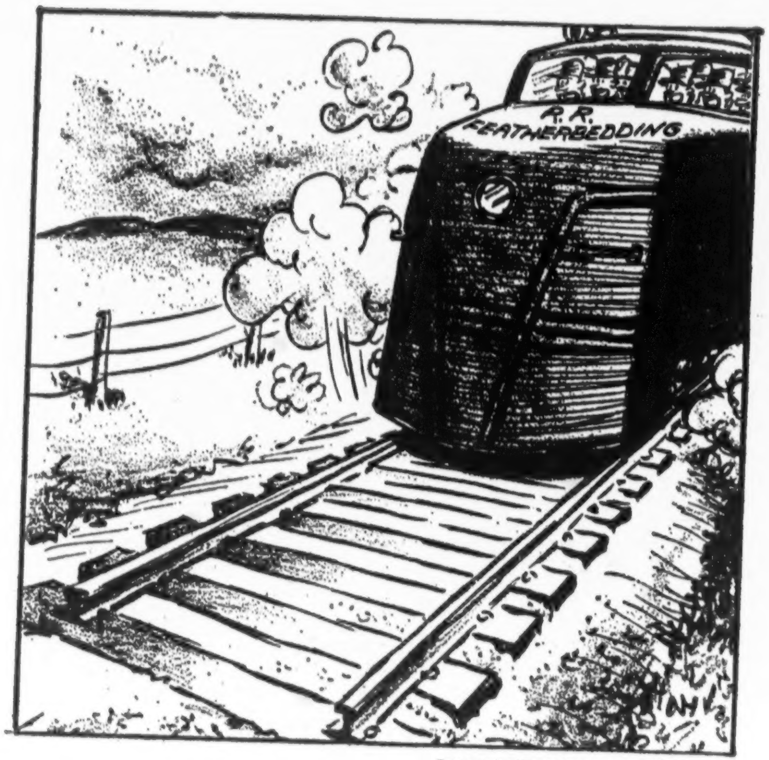
*Recommended for Student Achieving Below Grade Level

4. The issue of automation can be concluded with a debate: Resolved that the advantages of automation outweigh the disadvantages.

K. Using cartoons to understand how automation has led to conflict between labor and management.

The following cartoons relate to changes taking place in the railroad industry.

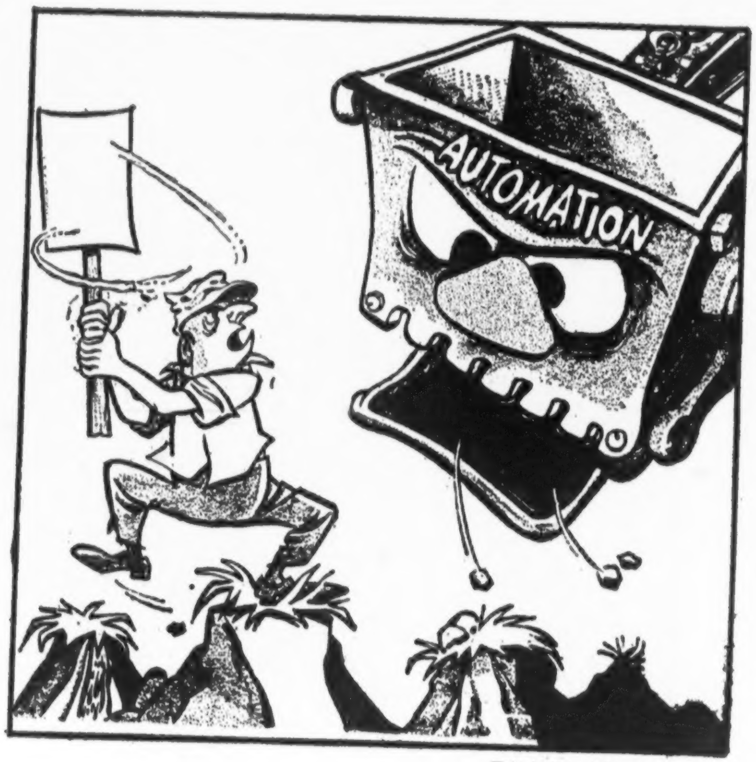
1



Jensen in The Chicago Daily News

"End of the line."

2



Eric in The Atlanta Journal

"Come any further and I'll strike."

Questions for Inquiry and Discovery

1. What is meant by featherbedding?
2. What effect does featherbedding have on employment? Job security?
3. What effect would improved technology in the railroad industry have on employment, according to cartoon #1?
4. What position has labor taken to the advent of automation, according to cartoon #2? Why?

Questions for Discussion

1. Why have the goals of increased profits and job security brought management and labor in dispute?
2. How can industry and unions work together to gain the benefits of automation without imposing the hardships?
3. How can government help people adjust to automation?
4. How should the costs of technological unemployment be met?

Follow-up Activities

1. New technology has created leisure time for many and may reduce the time spent at work for many in the future. Students can interview people to get their views about the uses of leisure time, planning for leisure, problems posed by leisure. The following might be considered:

   a. high school students
   b. young worker
   c. worker near retirement
   d. housewife

**2. Students can show how the role of the federal government has changed in the field of labor-management relations by reporting on the reasons for and the impact of each of the following labor laws:

   a. Wagner Act
   b. Taft-Hartley Act
   c. Landrum-Griffin Act

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c. Landrum-Griffin Act

**Recommended for Students Achieving Above Grade Level

THEME III: INCOME DISTRIBUTION

Selected Bibliography - For High School Students

N = Non-Fiction

B = Biography

Class	Author	Title	Publisher	Date
N	Barbash, Jack	The Labor Movement in the United States	Public Affairs Pamphlet	1968
N	Caplowitz, David	The Poor Pay More	Free Press	1967
B	Cook, Fred	Walter Reuther	Encyclopedia Britannica	1963
B	Cook, Roy	Leaders of Labor	Lippincott	1966
N	Dulles, Foster Rhea	Labor in America	Crowell	1966
N	Galbraith, John K.	The Affluent Society	Mentor	1958
N	Galenson, Walter	Primer on Employment and Wages	Random House	1966
N	Gregory, Charles	Labor and the Law	Norton	1961
N	Gladwin, Thomas	Poverty, USA	Little	1968
N	Hamilton, David	Primer on Economic Poverty	Random House	1968
N	Harrington, Michael	The Other America: Poverty in the U.S.	Penguin	1962
N	Higbee, Edward	Farms and Farmers in An Urban Age	20th Cent. Fund	1963
N	Heaps, Willard	Wandering Workers	Crown	1968
N	Herling, John	Labor Unions	Luce	1964
N	Iman and Koch	Labor in American Society	Scott Foresman	1965
N	Krinsky, Fred, et al	The Welfare State	Macmillan	1968
N	Leinwand, Gerald	Poverty and the Poor	Washington Square Press	1969
N	Lens, Sidney	Poverty: America's Enduring Paradox	Crowell	1969
N	Miller, Herman	Rich Man - Poor Man		

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N	Lens, Sidney	Poverty: America's Enduring Paradox	Crowell	1969
N	Miller, Herman	Rich Man - Poor Man	American Library	
B	Noble, Iris	Labor's Advocate: Eugene V. Debs	Messner	1966
N	Oliver, Donald	The Rise of Organized Labor	American Education Public.	1967
N	Paradis, Adrian	Labor in Action	Messner	1963
N	Peterson, Florence	American Labor Unions	Harper	1963
N	Reissman, Frank et al	U P from Poverty	Harper	1968
N	Seaberg, Stanley	Automation and Its Challenge	Scholastic	1966
N	Senesh, Lawrence, et al	Our Labor Force	Scott, Foresman	1961

Class	Author	Title	Publisher	Date
N	Seligman, Ben	Aspects of Poverty	Crowell	1968
B	Selvin, David	Eugene Debs	Lothrop	1966
N	Simon, Arthur	Faces of Poverty	Macmillan	1968
N	____________	Automation	Federal Reserve Bank of Phila.	
N	Sociological Resources for the Soc. Studies	The Incidence and Effects of Poverty in the U.S.	Allyn and Bacon	1969
N	____________	The New Poverty	Federal Reserve Bank of Phila.	
B	Weisberger, Bernard	Samuel Gompers	Silver Burdett	1967
N	Wolf, Jerome	Ferment in Labor	Macmillan	1968

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Author	Title	Publisher	Date
Bakke, et al	Unions, Management and the Public	Harcourt	1960
Bancroft, Gertrude	The American Labor Force	Wiley	1958
Batchelder, Alan	The Economics of Poverty	Wiley	1966
Bernstein, Peter	The Price of Prosperity	Random House	1966
Blaustein and Woods, eds.	Man Against Poverty: World War III	Vintage	1968
Bloom & Northrop	Economics of Labor Relations	Irwin	1969
Buckingham, Walter	Automation: Its Impact on Business and People	New American Library	1963
Clark, Kenneth, et al	A Relative War Against Poverty	Harper	1968
Dunlop, John	The Theory of Wage Determination	St. Martin's Press	1957
Fishman, Leo (ed.)	Poverty Amid Affluence	Yale University	1966
Gitlow, Abraham	Labor and Industrial Society	Irwin	1966
Jacobs, Paul	State of the Union	Atheneum	1963
Kain, John (ed.)	Race and Poverty: The Eonomics of Discrimination	Spectrum	1969
Kramer, Ralph	Participation of the Poor: Comparative Community Case Studies in the War on Poverty	Prentice-Hall	1969
Maher, John	Labor and the Economy	Allyn & Bacon	1965
Reissman, Frank	Strategies Against Poverty	Random House	1968
Theobold, Robert	The Challenge of Abundance	New American Library	1962
Valentine, Charles	Culture & Poverty: Critique & Counter Proposals	U. Chicago	1968
Will and Vatter, eds.	Poverty in Affluence	Harcourt	1965

Audio-Visual Materials

Films

	Arbitration in Action	American Arbitration Assoc.
41.02	Automation	McGraw-Hill
62.5	Automation: The Next Revolution	McGraw-Hill
	Christmas in Appalachia	Carousel Films
	Bitter Harvest	Audio Visual Instruction
138.2	Contracting Out: Management Rights vs. Union Security	McGraw-Hill
	Edge of Abundance	NET - Indiana University
263.51	Grievance	
	Hunger in America	Carousel Films
	Harvest of Shame	McGraw Hill
335.06	Labor Comes of Age	Encyclopedia Britannica
	Productivity - Key to America's Economic Growth	Sutherland Educational Films
335.03	The Labor Movement: Beginnings and Growth in America	
	Shoptown	Brandon Films
642.45	War on Poverty	Encyclopedia Britannica
	Liability and Insurance	Bailey Films
	Strike in Town	McGraw Hill

Filmstrips

	Automation and the National Welfare	Current Affairs Films
	Distribution of Income	McGraw Hill
51580.14	Labor	
	Labor Closes Ranks	New York Times
	Poverty, Problem and Promise	Current Affairs
	The Right to Strike	New York Times
	Unemployment in a Free Economy	Current Affairs
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	Wages and Hours	McGraw Hill
	Role of Our Labor Force	Joint Council on Economic Education
	Organized Labor in Today's America	Current Affairs Films
Kits		
437.80	Automation: Promise or Threat	Guidance Associates
	The Farm Question	" "
	The Growth of the Labor Movement	" "
Records	Talking Union	Folkway LP, FH 5285

THEME IV: HOW WE TRY TO MAINTAIN A GROWING AND STABLE ECONOMY

Introduction

The materials in this unit attempt to give the student a macro view of the American economy and how well it functions. Student activities try to involve the student in some of the most pressing questions facing economic policy makers today: how can we foster a stable economy while providing for a growing standard of living for all.

Teachers may wish to expand the sections dealing with credit and taxes and place less emphasis on fiscal and monetary policy for students achieving below grade level.

In this theme learning activities are centered around significant problems:

I. How can we measure the growth of our economy?

II. How has our society coped with the problems brought on by a depression?

III. What effect has inflation had on our society?

IV. How has the federal government used fiscal and monetary policy to try to stabilize our economy?

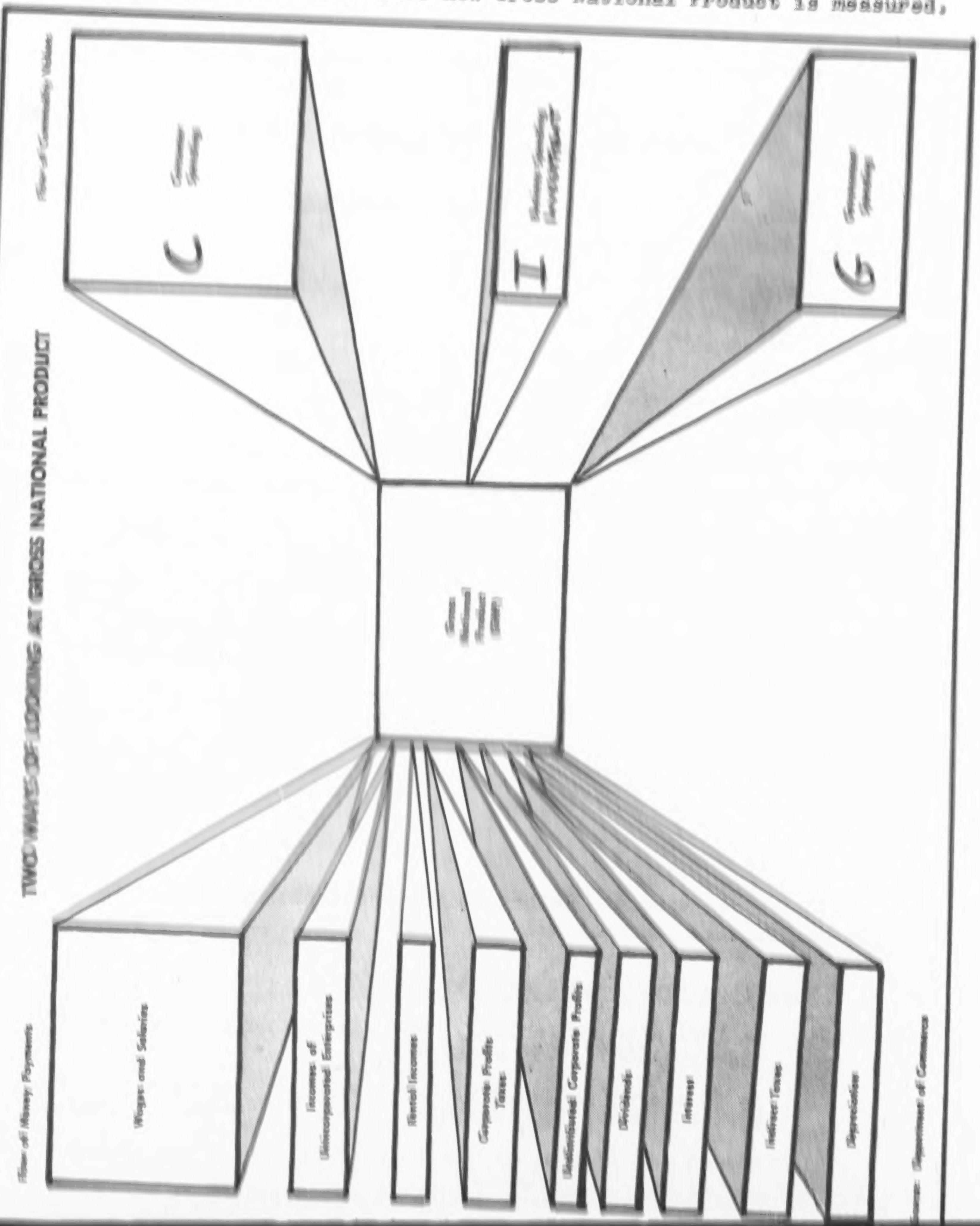
I. HOW CAN WE MEASURE THE GROWTH OF OUR ECONOMY?

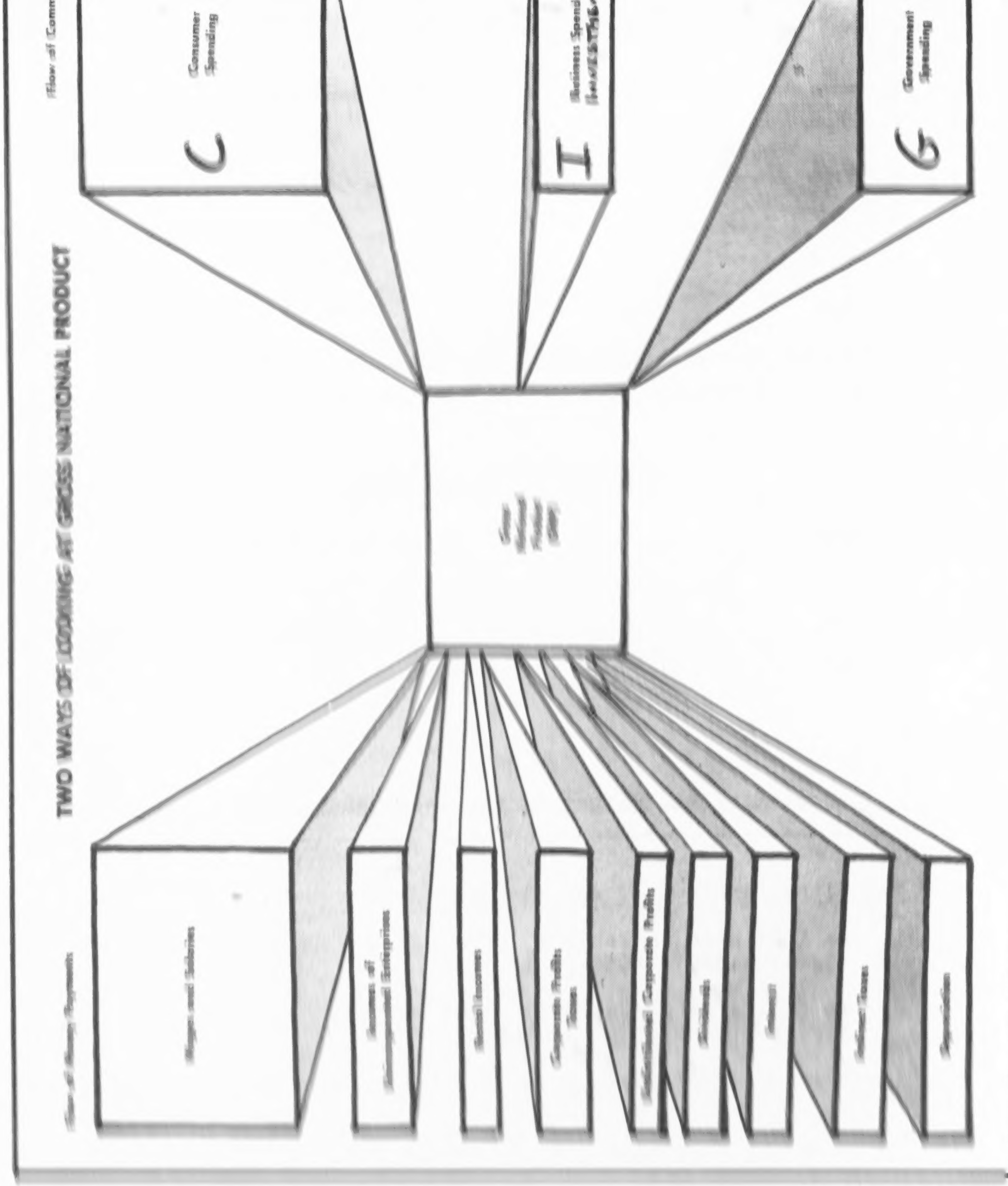
Emphases: The gross national product is a major tool for analyzing our economy.

Economic growth is relative to a given period of time.

Note: Teachers should develop a file of current data and consult the Annual Economic Report of the President so that data will constantly be updated.

A. Using a Chart to introduce how Gross National Product is measured.


TWO WAYS OF LOOKING AT GROSS NATIONAL PRODUCT
Flow of Commodity Values
C
Consumer Spending
I
G
Government Spending
Gross National Product
Flow of Money Payments
Wages and Salaries
Incomes of Unincorporated Enterprises
Rental Incomes
Corporate Profits Taxes
Undistributed Corporate Profits
Dividends
Interest
Indirect Taxes
Depreciation
Department of Commerce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Wages and Salaries
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Rental Incomes
Corporate Profits Taxes
Undistributed Corporate Profits
Dividends
Interest
Indirect Taxes
Depreciation

TWO WAYS OF LOOKING AT GROSS NATIONAL PRODUCT

Source: Department of Commerce

(from Economics, Department of Public Instruction, Harrisburg, Pa. 1962)

Questions for Inquiry and Discovery

1. What three sectors of our economy consume all the goods and services we produce?
2. Which sector is the most important?
3. How do consumers get the income they spend on goods and services?
4. How does business get the income it uses to buy goods and services?
5. Where do government funds come from?
6. What are two ways to measure the GNP?
7. Why are total money payments equal to total spending (C+I+G)?

B. Using and analyzing data to discover how we measure the performance of our economy

I

GROSS NATIONAL PRODUCT, UNITED STATES
(Billions of Dollars)

Year	Value of goods and services produced
1929	103.1
1939	90.5
1949	256.5
1959	483.7
1968	860.7

Source: Economic Report of the President, 1969

II

GROSS NATIONAL PRODUCT
(Billions of Dollars)

Year	Value in 1958 Prices
1929	203.6
1939	209.4
1949	324.1
1959	475.9
1968	706.9

Source: Economic Report of the President, 1969

Questions for Inquiry and Discovery

1. As indicated in Table I, what was the rate of growth from 1929 to 1968? 1959 to 1968?
2. As indicated in Table II, what was the rate of growth from 1929 to 1968? 1959 to 1968?
3. Why do the figures in Table I differ from those in Table II?
4. How can you explain the different relationships between 1929 and 1939 expressed in Tables I and II?

III

POPULATION OF THE UNITED STATES

Year	Population
1929	121,767,000
1939	130,880,000
1949	149,188,000
1959	177,830,000
1968	201,166,000

Source: Economic Report of the President, 1969

Questions for Inquiry and Discovery

1. How much did GNP increase from 1959 to 1968?
2. What was the per capita GNP in 1959? What was it in 1968?
3. What measure of the American economy gives us the most valuable information about it? Why?
4. Which measure would be most valuable when comparing the performance of our economy to the economies of other nations? Why?

Follow-up Activity

Students can get an understanding of the Consumer Price Index by using the following chart.

Price Index for 1969 with 1959 as the Base Year

	1959		1969	
Product	Price	Index	Price	Index % of 1959 price

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Follow-up Activity

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Price Index for 1969 with 1959 as the Base Year

	1959		1969	
Product	Price	Index	Price	Index % of 1959 price
Pencil	$ .05	100%	$ .06	120%
Hot Dog	.20	100%	.30	150%
Potatoes, per lb.	.10	100%	.20	200%
Coal, per ton	18.00	100%	15.00	80%
Sugar, per lb.	.15	100%	.15	100%
	5	$\boxed{500\%}$	5	$\boxed{650\%}$
	1959 Price Level = (Base Year)	100%	1969 Price Level =	130%

Questions for Inquiry and Discovery

1. What is an index number?
2. Have all prices moved in the same direction? Why?
3. What does the Consumer Price Index measure?
4. How can the Consumer Price Index be applied?

**2. Students can read a summary of W.W. Rostow's The Stages of Economic Growth, A Non-Communist Manifesto in Understanding Economic Growth, Marion Dougherty, Scott Foresman and Company, 1961, pp. 42-56.

Questions for Discussion

1. How does a nation move from one stage to another?
2. How can nations overcome the problems that prevent movement toward greater economic growth?

A case study of the application of Rostow to the United States can be developed by using pages 57-110 of the above pamphlet.

Questions for Discussion

1. What developments were necessary to move the American economy from one stage of growth to another?
2. How well did we achieve the transition toward accelerated economic growth? What problems were created?
3. How valid is the application of Rostow's Stages of Growth to the U.S.?

*3. Free student copies of the booklet, The Mystery of Economic Growth, may be obtained in bulk quantities from the Federal Reserve Bank of Philadelphia.

Questions for Inquiry and Discovery

1. What are the major reasons for the growth of our nation's production each year?
2. What method can be used to measure this increase in production?
3. Why would we want to measure this growth?
4. How is growth related to our standard of living?

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*Recommended for Students Achieving Below Grade Level.
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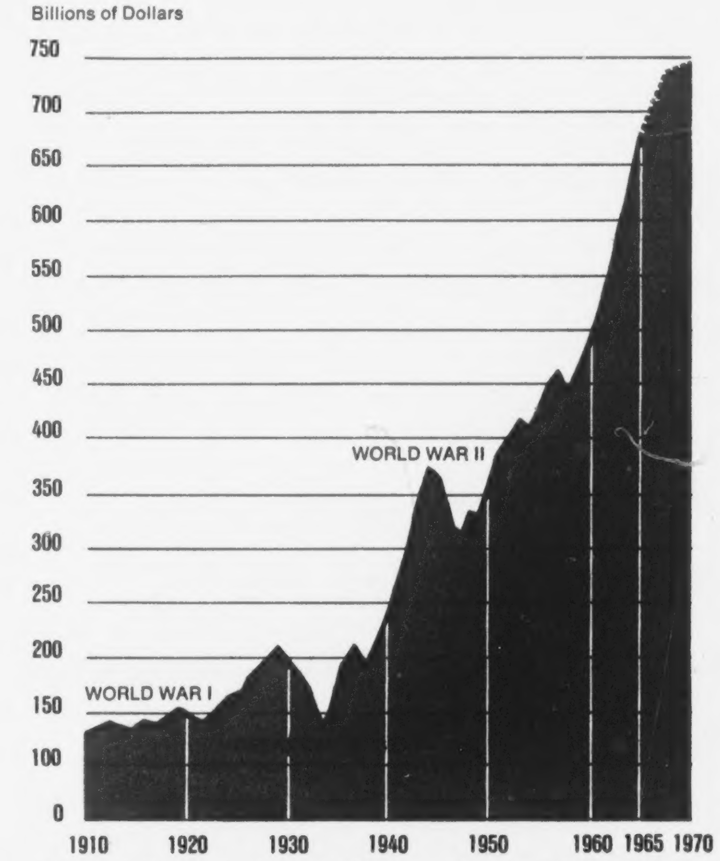
4. Use the graph below to show the uneven nature of growth in the United States as measured by GNP.



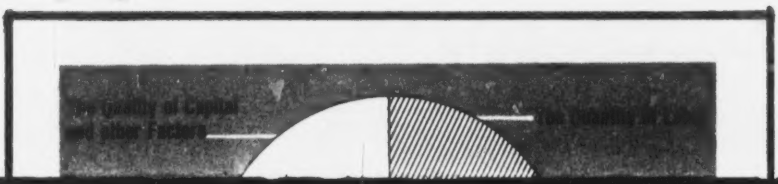
Gross National Product in Billions of Dollars (1954 dollars).
Source: U.S. Dept. of Commerce; National Labor Relations Board.

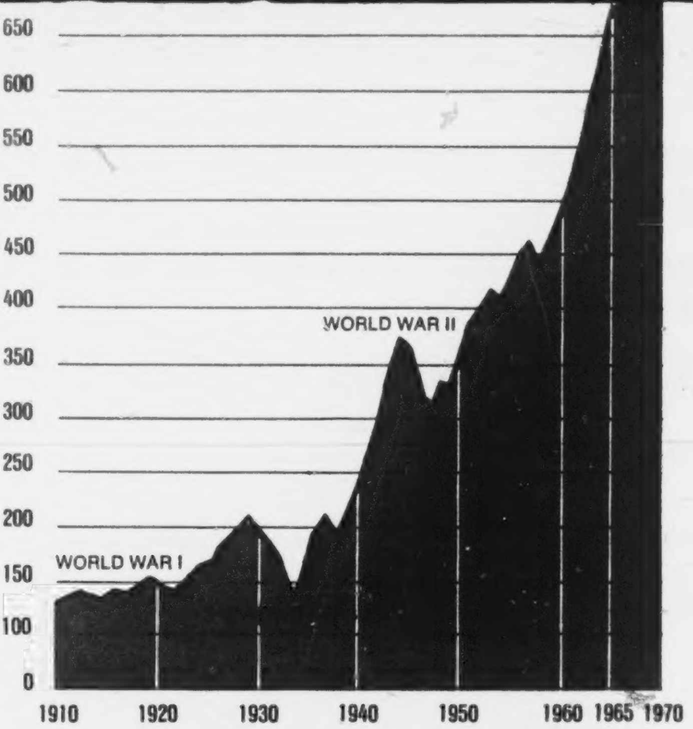
Questions for Inquiry and Discovery

1. What has been the economic growth record of the United States from 1910 to 1965?
2. What effect do the downturns in the graph have on our overall growth rate? Upturns?
3. What are business fluctuations?
4. How is the growth rate shown on the graph?
5. How does the graph indicate that the terms "prosperity" and "recession" are relative to a given period of time?

5. To indicate the keys to Economic Growth, use the graph or table below based on a study by Edward Denision.

I





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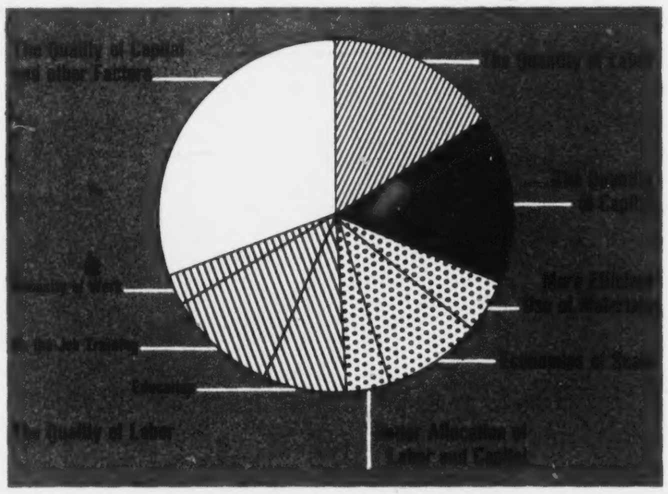

Sources of Economic Growth in the United States in the Past Three Decades. ***Source: The Chase Manhattan Bank.***

II

Sources of Growth	1909-29	1929-57
% of growth from an increase in the labor force	39	27
% of growth from improved education & technology	13	27
% of growth from an increased stock of capital goods	26	15
% of growth from improved technology	12	20
% of growth from all other sources	10	11
	100	100

Questions for Inquiry and Discovery

1. Which sources of growth were most important in 1909-1929?
2. Which were most important in 1919-1957?
3. What changes occurred to bring about this shift?

II. HOW HAS OUR SOCIETY COPED WITH THE PROBLEMS BROUGHT ON BY A DEPRESSION?

Emphases: The maldistribution of incomes was a factor leading to the depression of the 1930's in the United States.

The loss from the depression should be measured in both financial and human terms.

A. Using a case study of the 1920's to understand the underlying causes of a depression.

**1. Using statistics to form an hypothesis

Teachers can use the following tables to help students formulate an hypothesis about the health of the economy in the 1920's. Tables

% of growth from an increase in the labor force	39	27
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A. Using a case study of the 1920's to understand the underlying causes of a depression.

**1. Using statistics to form an hypothesis

Teachers can use the following tables to help students formulate an hypothesis about the health of the economy in the 1920's. Tables show an unequal distribution of income as well as areas where the economy showed signs of sickness (farming, stockmarket, etc.). Each table can be fed to the students sequentially for analysis. All data are from the Historical Statistics of the United States.

**Recommended for Students Achieving Above Grade Level.

(1) Year	(2) Population (Millions)	(3) Gross National Product Per Capita	(4) Output Per Man Hour in Manufacturing (1947=100)
1920	106	$ 835	44.6
1921	109	682	51.3
1922	110	672	56.2
1923	112	769	55.2
1924	114	768	58.9
1925	116	788	62.8
1926	117	832	64.5
1927	119	809	66.2
1928	121	815	69.7
1929	122	857	72.5

Questions for Inquiry and Discovery

1. What happened to the Gross National Product per capita during the 1920's?
2. What was the general trend of production during the 1920's?
3. How does the output per man hour in manufacturing of 1920 compare to the production of 1929?
4. Based on the above data, what hypothesis can you make about the standard of living of the United States population?

(5)

AVERAGE PRICE OF CONSUMER GOODS

Year	(1947-1949=100)
1920	85.7
1921	76.4
1922	71.6
1923	72.9
1924	73.1
1925	75.0
1926	75.6
1927	74.2
1928	73.3
1929	73.3

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1929	73.3

**Recommended for Students Achieving Above Grade Level.

Questions for Inquiry and Discovery

1. What was happening to prices in the 1920's?
2. What effect did increased production have on the average price of consumer goods?
3. Would this information strengthen your original hypothesis? If not, how would you revise it?

	(6)	(7)	(8)
Year	Average Hourly Wage for Industrial Workers (Cents)	Farm Parity-Ratio (1910-1914=100)	Value of Farm Property and Real Estate (1947-1949=100)
1920	0.56	99	103
1921	0.52	80	95
1922	0.49	87	83
1923	0.52	89	81
1924	0.55	89	78
1925	0.55	95	76
1926	0.55	91	74
1927	0.55	88	71
1928	0.56	91	70
1929	0.57	92	69

Questions for Inquiry and Discovery

1. What happened to the average hourly wage during the 1920's? Compare 1920 to 1929.
2. Were wages rising as rapidly as Gross National Product per capita during the 1920's?
3. With steady prices and stable hourly wages, who benefited from the increase in productivity? Was the worker able to buy what he was producing?
4. What conclusions can you draw about the farmer's purchasing power during this period?
5. Was he able to take advantage of the increased productivity and lower prices in the manufacturing sector of our economy?
6. What hypothesis can you make about the way in which income was being distributed during the 1920's?

Questions for Discussion

1. How is the economy affected when workers are unable to buy all that they produce over an extended period of time?

2. How successfully were workers and farmers able to improve their economic well-being?

Year	(9) Net Income of all Corporations (1922=100)	(10) Percent of Disposable Income Received by Top 5 Percent of Population	(11) Percent of Disposable Income Received by Top 1 Percent of Population
1920	--	23.96	11.80
1921	--	29.32	14.20
1922	100.0	29.04	14.39
1923	132.2	27.05	13.08
1924	112.4	28.73	14.28
1925	159.8	31.09	16.54
1926	157.3	30.78	16.26
1927	136.5	31.92	17.22
1928	172.5	34.06	19.12
1929	183.2	33.49	18.92

Questions for Inquiry and Discovery

1. What happened to corporate incomes during the period from 1922 to 1929?

2. What was the general trend for the distribution of incomes in our economy during the 1920's?

3. What conclusions might you draw about the economic conditions of workers, farmers and business during the 1920's?

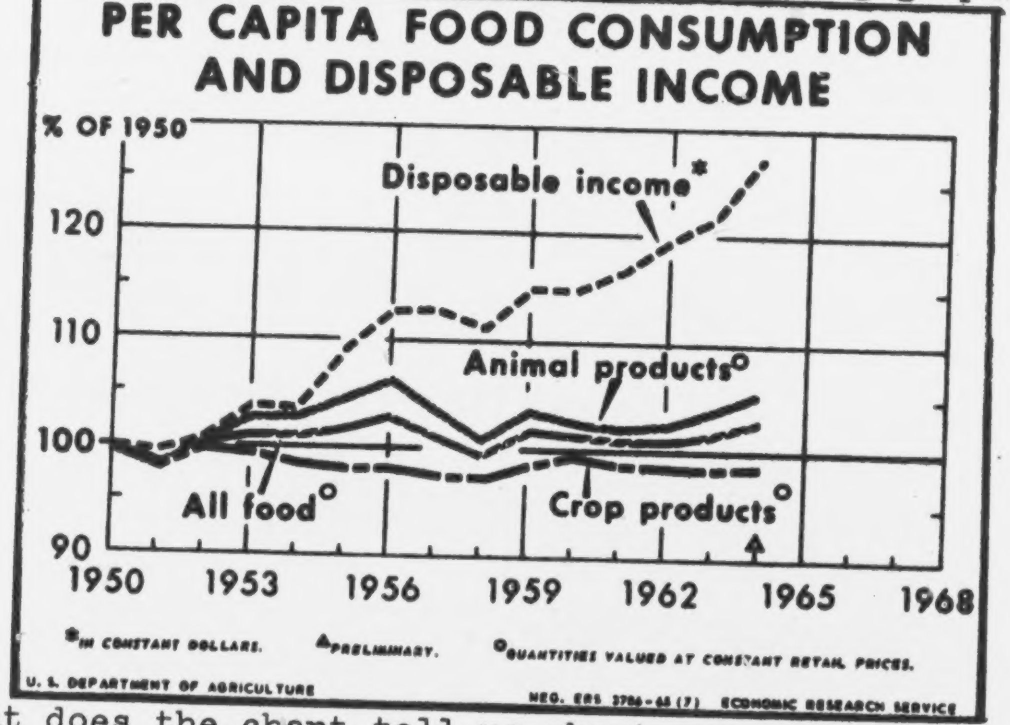
Year	(12) Volume of Sales on New York Stock Exchange (Millions of Shares)	(13) Per Cent Return on One Share of Common Stock Per Year	(14) Stock Price Index Industrials 1929=100
1920	227	6.13	31
1921	173	6.49	24
1922	259	5.80	30
1923	236	5.94	31
1924	282	5.87	32
1925	454	5.19	41
1926	451	5.32	48
1927	577	4.77	49
1928	920	3.98	79
1929	1125	3.48	100

Questions for Inquiry and Discovery

1. What was happening to stock prices during the 1920's?
2. How does the rate of growth compare with the growth of Gross National Product per Capita? (See Column 3)
3. Why did people buy stocks when the percent return on investment was falling?
4. Do you feel the figures in Columns 1-11 warranted the optimism voiced by many about the American economy?
5. What hypothesis would you make about the health of the American economy in the 1920's?

Follow up Activities

1. The problem of the farmer in the 1920's can be explored with the use of the following graphs:

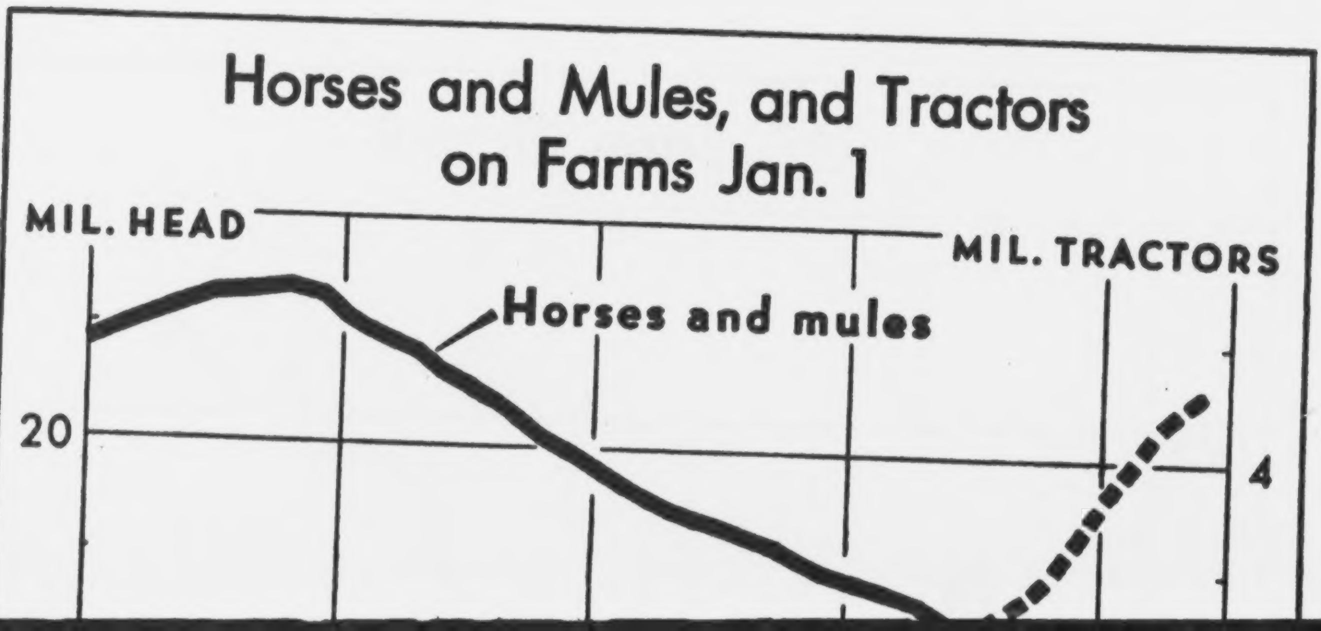


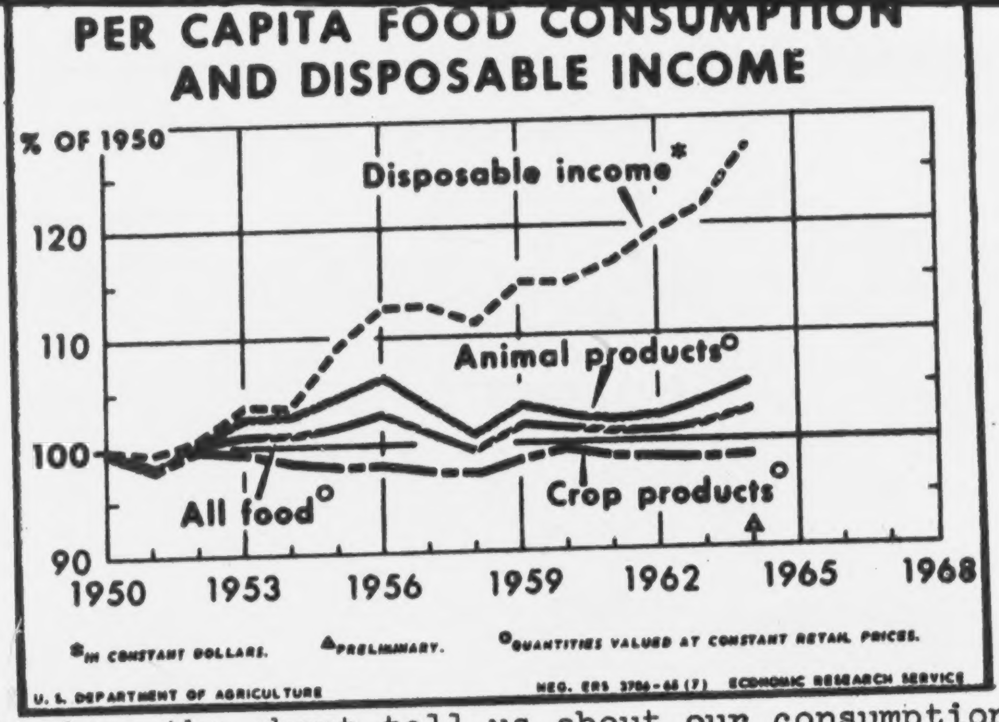
1. What does the chart tell us about our consumption of food?

2. What does the chart indicate about disposable income?

3. What is the relationship between food consumption and disposable income?

4. How does this help to explain the problem faced by the American farmer in the 1920's?





PER CAPITA FOOD CONSUMPTION AND DISPOSABLE INCOME

*IN CONSTANT DOLLARS. △PRELIMINARY. °QUANTITIES VALUED AT CONSTANT RETAIL PRICES.

U. S. DEPARTMENT OF AGRICULTURE NEG. ERS 3706-65 (7) ECONOMIC RESEARCH SERVICE

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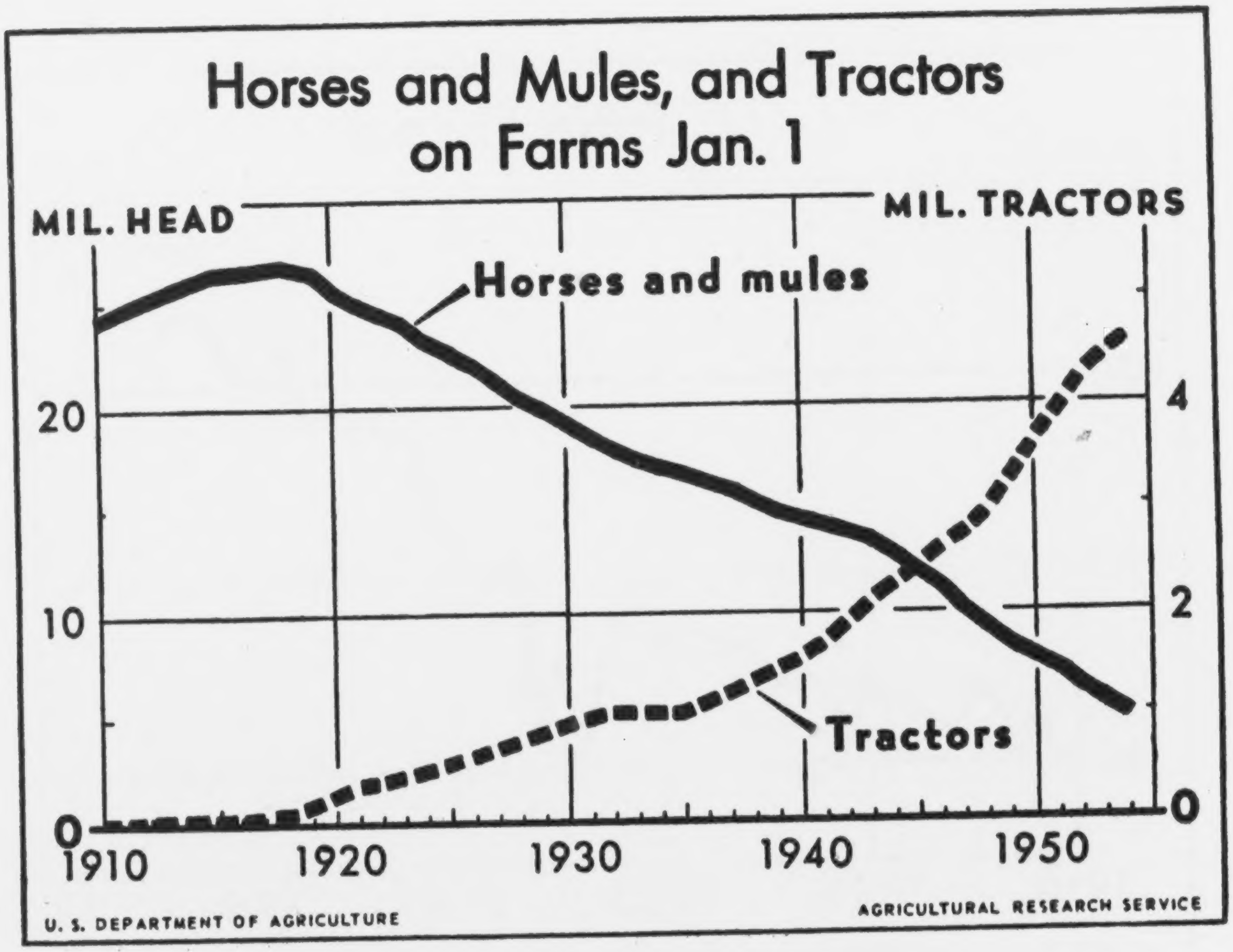
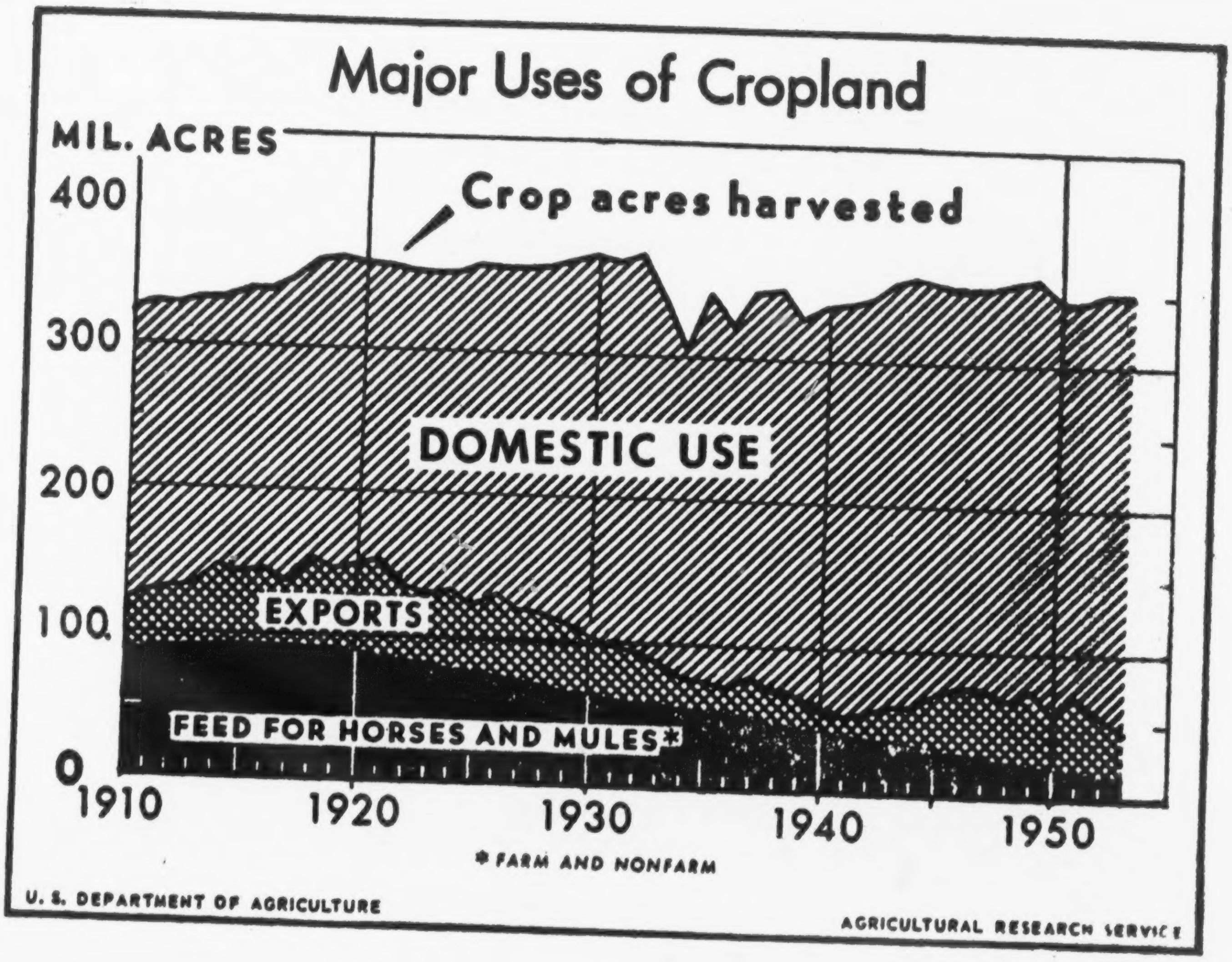


Horses and Mules, and Tractors on Farms Jan. 1

U. S. DEPARTMENT OF AGRICULTURE AGRICULTURAL RESEARCH SERVICE



Major Uses of Cropland

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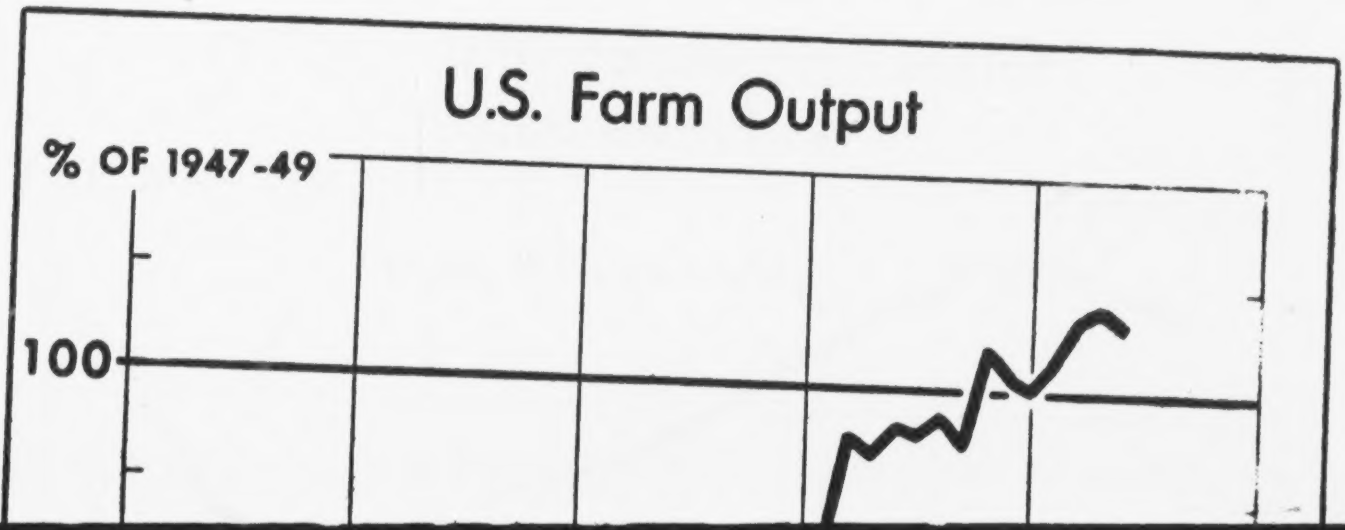
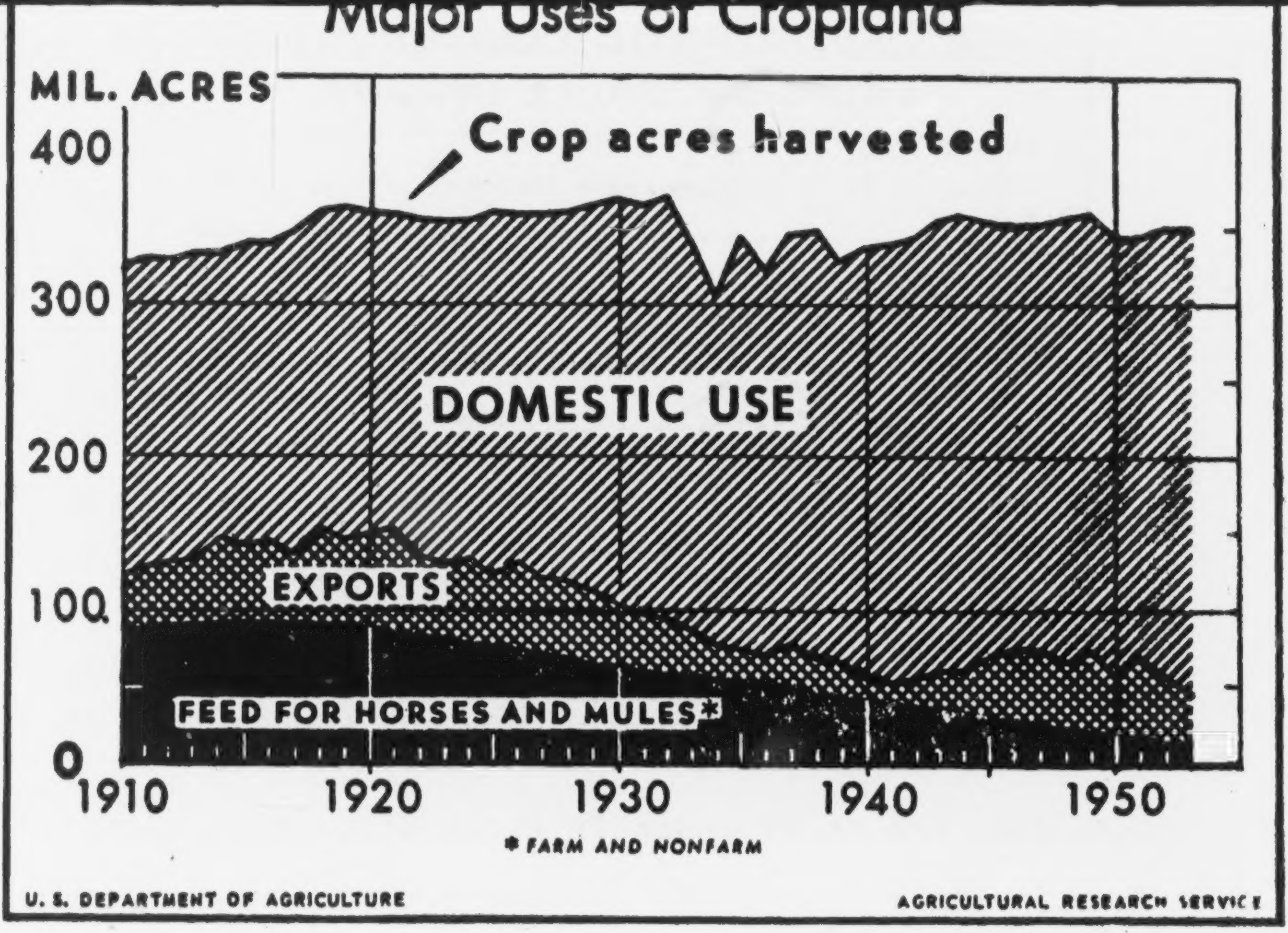
AGRICULTURAL RESEARCH SERVICE



U.S. Farm Output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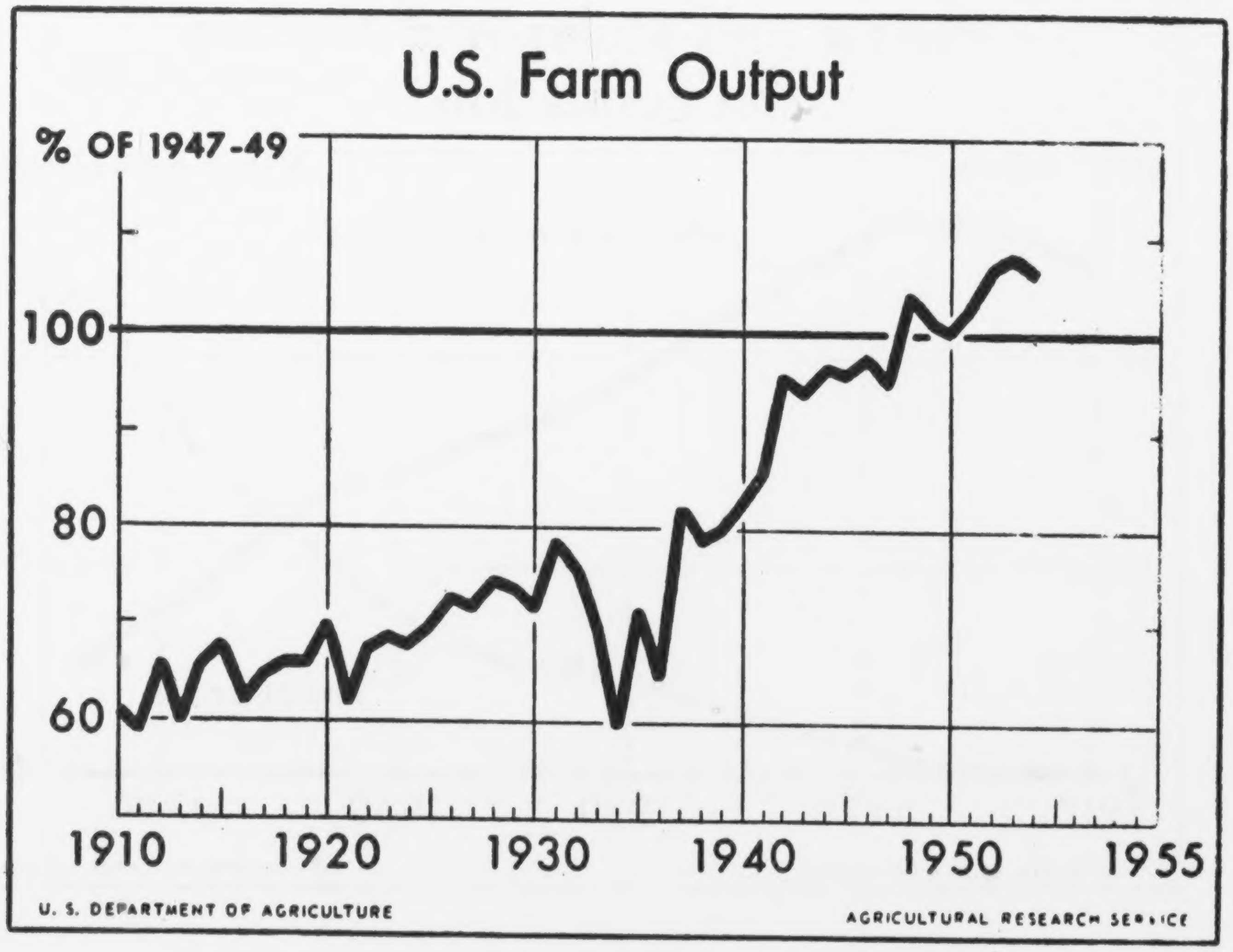

U.S. Farm Output

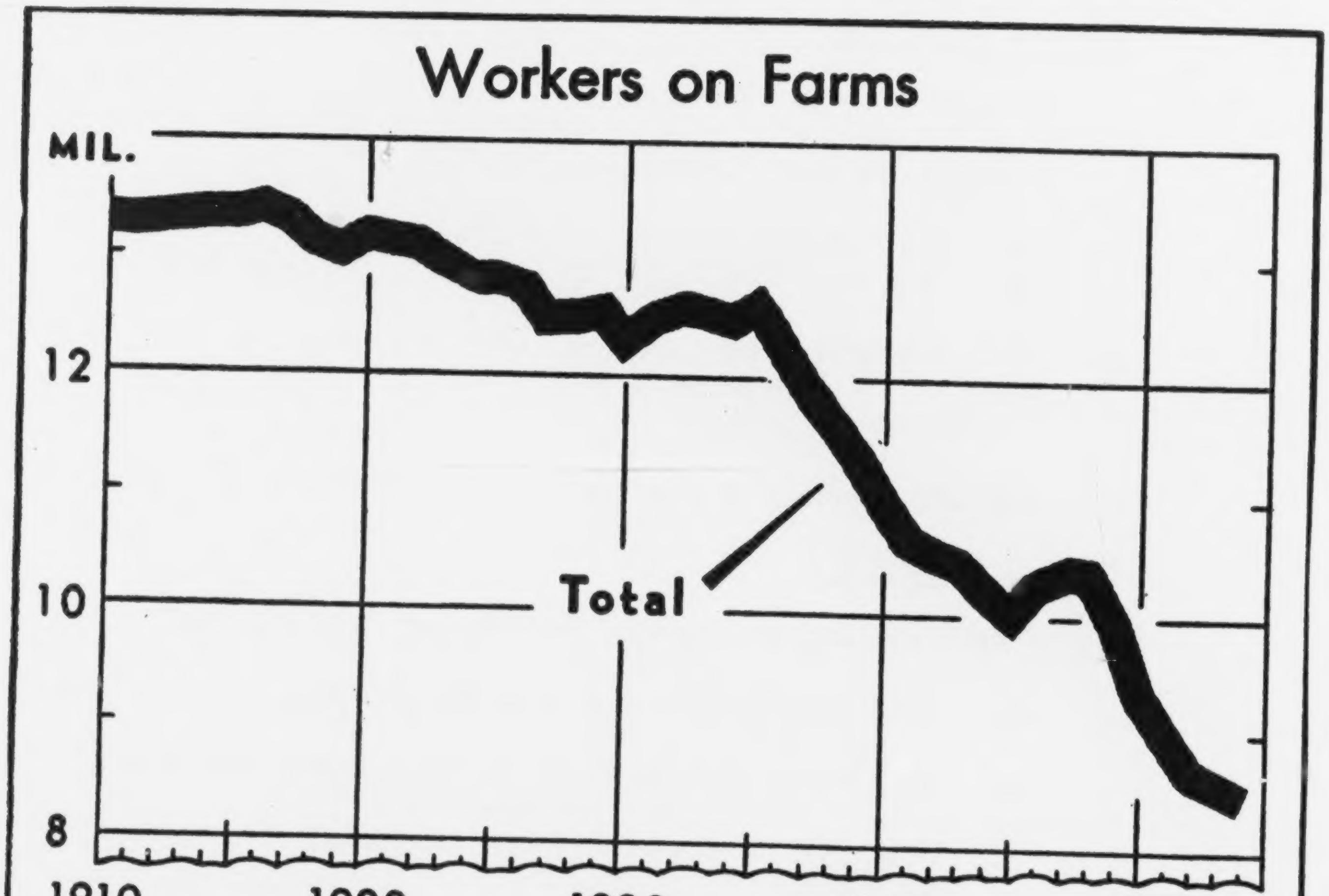
1. What change took place in the number of horses and mules used in farming between 1918 and 1930?

2. What change took place in the number of tractors used?

3. What degree of change was there in millions of acres harvested between 1918 and 1930?

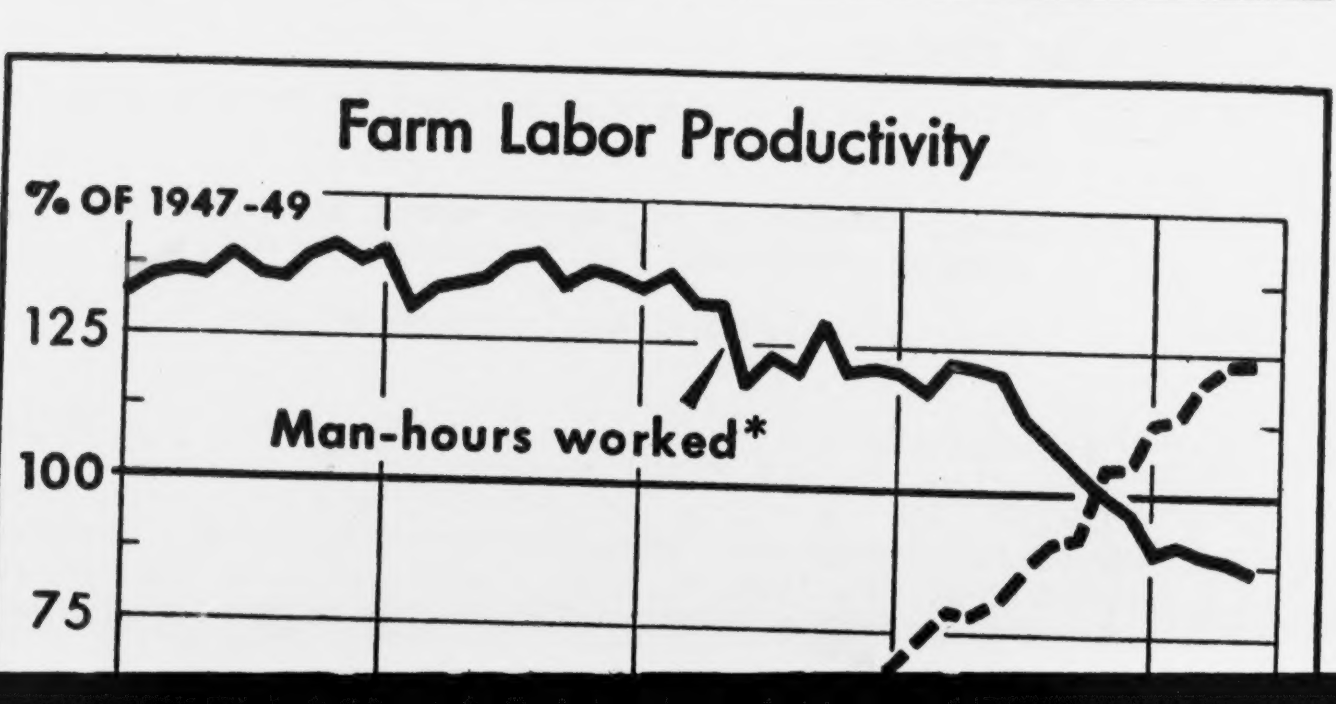
4. What was the percentage change in farm output between 1918 and 1931?

5. Hypothesize about what change took place in agricultural productivity between 1918 and 1930? What additional information is needed?


Workers on Farms

U. S. DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE


Farm Labor Productivity

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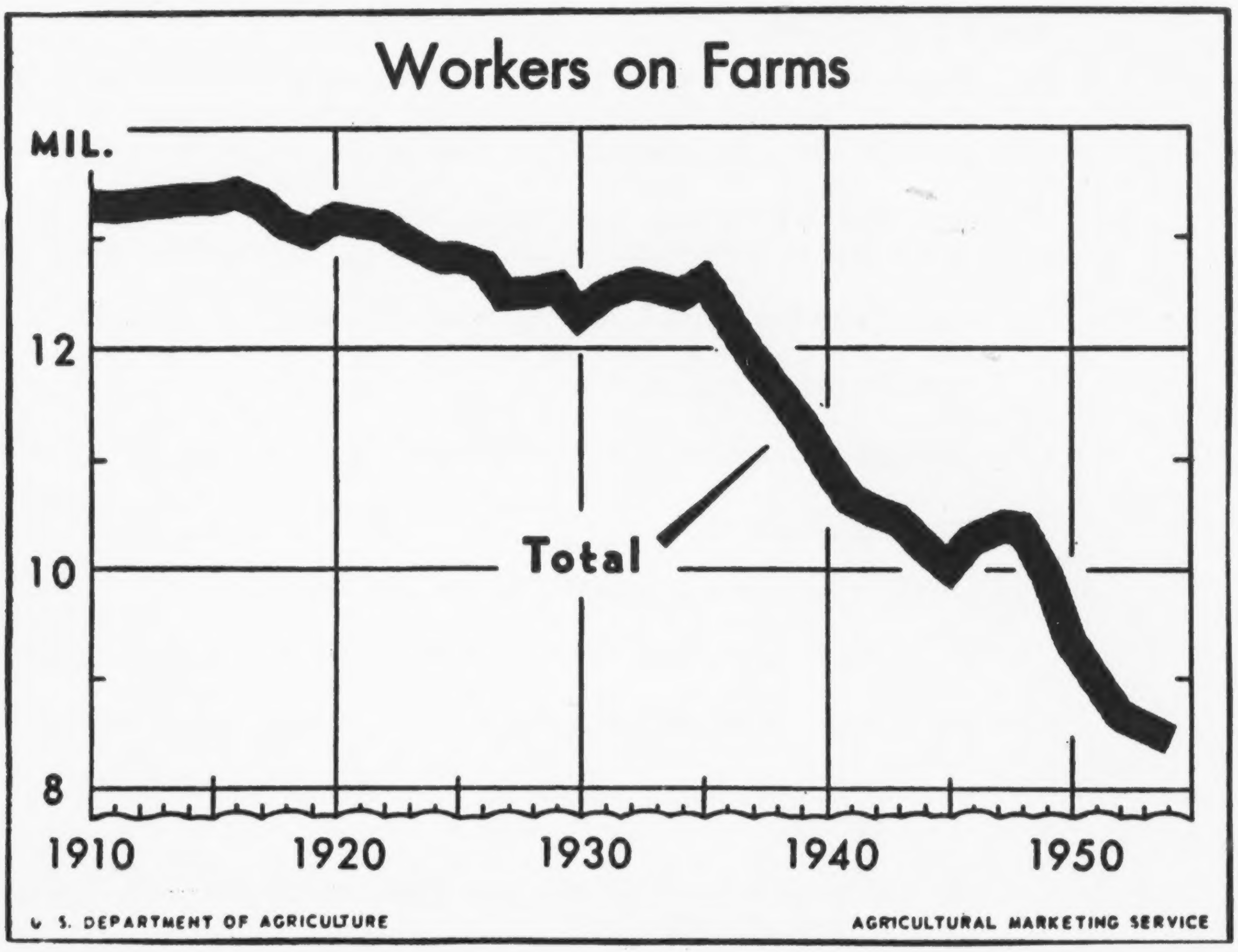
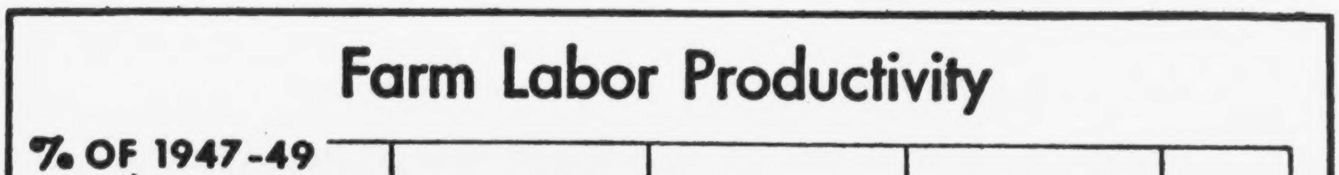


Workers on Farms

U. S. DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE



Farm Labor Productivity

*IN TERMS OF TIME USED BY ADULT MALES

U. S. DEPARTMENT OF AGRICULTURE

AGRICULTURAL RESEARCH SERVICE

1. How many farmers left the farm from 1918 to 1930?
2. Why was it possible for farm production to increase while the number of farmers decreased?
3. What conclusions can you draw about the problem of the farmer in the 1920's?

Follow-up Activity

*Show the film, The River to show how the New Deal tried to aid the farmer in some of his problems.

Before viewing:

1. Explain that the film is a description of how the T.V.A. brought about changes in the lives of the people of the Tennessee Valley.
2. Outline verbally the conditions that existed in the area before T.V.A. - illiteracy, poverty, etc.
3. Ask students to look up the meaning of the following words: T.V.A., share cropping, rural electrification, public authority.
4. Assign students to read about T.V.A. in their textbook.

During viewing:

1. Have students answer following questions:
    a. What problems did the Tennessee Valley face?
    b. Why were the people in the area depressed?
    c. How did the government attempt to meet the problems?
    d. Did the people of the Tennessee Valley lose their freedom?

After viewing:

1. Discuss with class whether people in the area lost some freedom as a result of the T.V.A.
2. Assign students to report about economic and social changes which the T.V.A. brought about.
3. Final discussion: Should there be more T.V.A.'s?

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**2. Teachers can use a transparency (Saunders, The World of Economics, McGraw Hill) showing the fluctuation of total demand (GNP) and its individual components (consumption, business investment and government spending) for the period of the 1920's. This can lead to a discussion of the relationship between C & I (The accelerator and multiplier effect).

*Recommended for Students Achieving Below Grade Level.
**Recommended for Students Achieving Above Grade Level.

a. To illustrate the multiplier use the following chart.

Assume incomes go up $10 due to an increase in investment. Assume consumers spend 3/4 of this new income and save 1/4.

	Change in Income	Change in Consumption	Change in Saving
Income increased by:	$10.00	$ 7.50	$ 2.50
Second round	7.50	5.62	1.88
Third round	5.62	4.22	1.40
Fourth round	4.22	3.16	1.06
All other rounds	12.66	9.50	3.16
TOTAL	40.00	30.00	10.00

Questions for Inquiry and Discovery

1. What effect does a change in investment have on income? Why?
2. What effect does a change in income have on consumption? Why?
3. What effect will lower income have on employment? Why? on output? Why?
4. How well do the events of the 1920's verify this principle?

b. To illustrate the accelerator principle use the following chart.

Assume a company must invest in 10 machines each year to replace worn out machines. Assume too, that each machine can produce 100 pairs of shoes.

Year	Machines	Shoes Sales (Consumption)	New Machines (Investment)
1	100	10,000	10 (replacement)
2	100	10,000	10 (replacement)
3	110	11,000	20 (10 replacement, 10 added)
4	120	12,000	20 (10 replacement, 10 added)
5	120	12,000	10 (replacement)
6	110	11,000	0

Questions for Inquiry and Discovery

1. What is the relationship between increased consumption and increased investment?
2. What effect does decreased consumption have on GNP?
3. How well does the data of the 1920's verify this principle?
4. How do the multiplier and accelerator accentuate business fluctuations?

*3. The following can be used to get the same understandings as in #2 above.

a) To illustrate the capital-goods industry's sensitivity to change, ten students can be asked to play the role of producers who normally replace one of their ten machines per year. For this illustration, chalk can be used. In their business of writing on chalkboards the producers of this service depend on their equipment being good, so they discard their worst piece of chalk and buy a new piece periodically. One student as dispenser of the chalk, can keep up to the ten requiring replacements. However, if those writing on the boards must increase the rate at which they write on the board, they will need more chalk and may ask for two pieces in the period of time they usually found one would do. The supplier of chalk finds that he must get another student to help him dispense the chalk to meet the demands that have now doubled.

Questions for Inquiry and Discovery

1. What would happen to the business of the suppliers of chalk if the chalkboard writers

1	100	10,000	10 (replacement)
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Questions for Inquiry and Discovery

1. What would happen to the business of the suppliers of chalk if the chalkboard writers were to cut back on their activity?
2. What is the relationship between the demands put on the capital goods industry and the changing demands which the producers meet?

*Recommended for Students Achieving Below Grade Level.

3. How is the dramatization similar to the conditions existing in the 1920's in the relationship between producers of capital goods and those producing goods for sale to consumer?

b) To illustrate the effect of the backlog of savings, students can be asked to imagine that for some reason they were not allowed to spend their allowances or earnings, but that they kept on accumulating savings.

Questions for Inquiry and Discovery

1. What would happen if you were suddenly allowed to spend these savings?

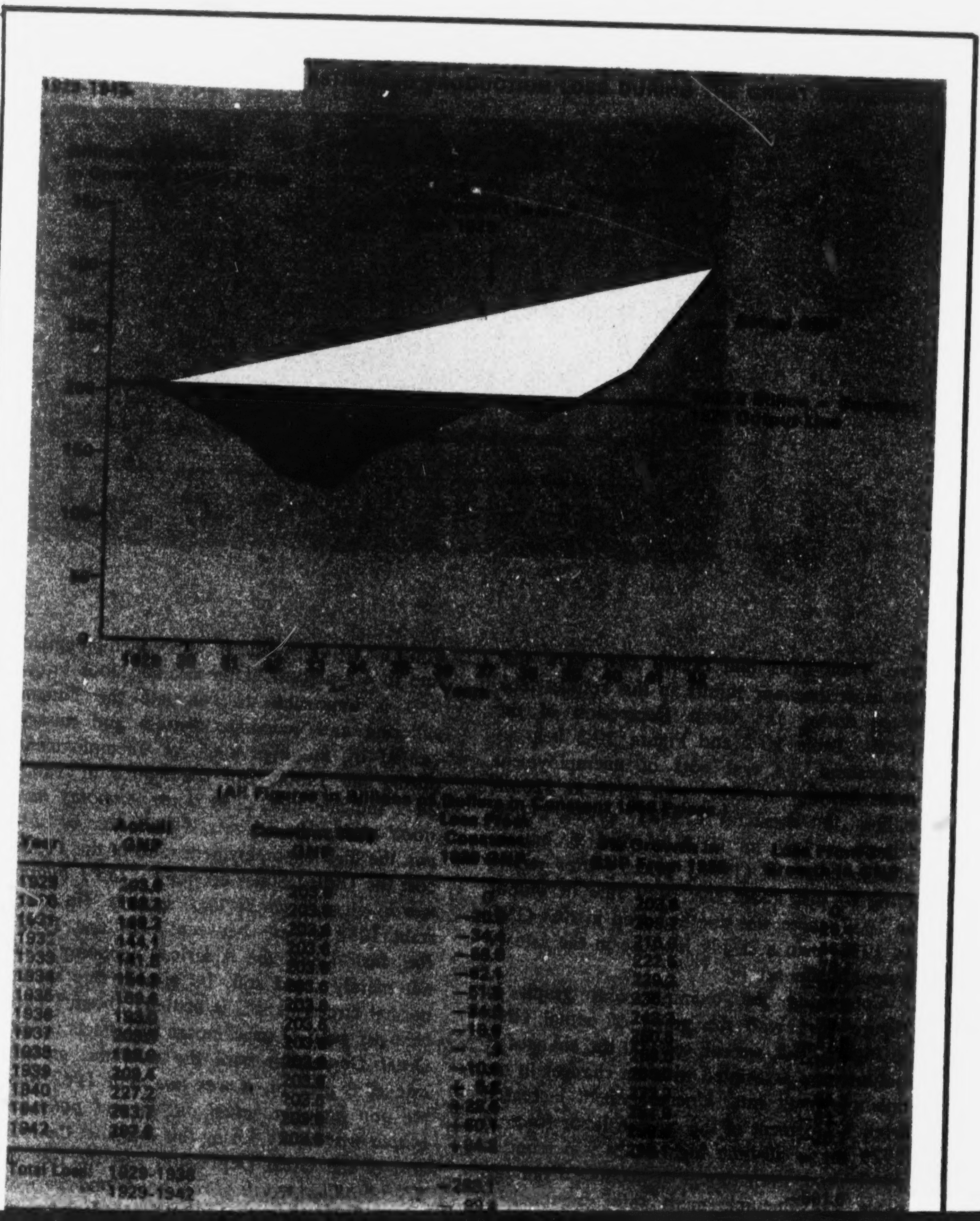
2. What would the effect of a flood of spending be on business?

3. What would happen to production when buyers acquire those goods they want or when their savings are exhausted?

4. How well does this apply to the situation in the 1920's?

B. Using a graph to illustrate the economic loss during depression.

The following graph can be made into a transparency with two overlays, one for actual GNP and one for 3% growth.



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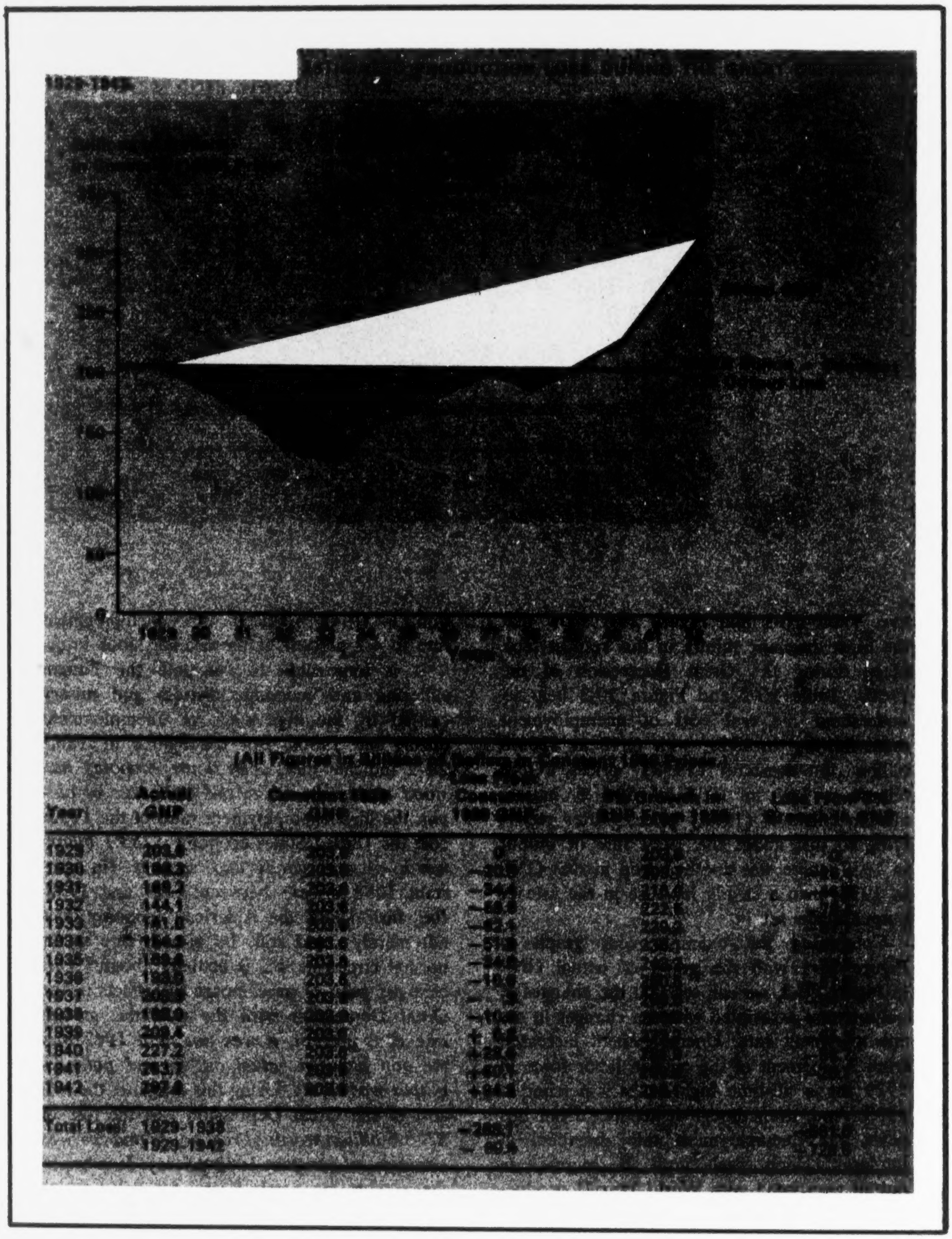


(Source: The World of Economics, Silk & Saunders, McGraw-Hill, 1969)

Questions for Inquiry and Discovery

1. How much output would have been lost from 1929 to 1938 had the economy continued to produce at the 1929 level?

2. How much would have been lost had the economy grown at a modest 3% rate?

3. What was the effect of lost GNP on incomes? Employment? Output?

4. What effect did production of the early 1940's have on our economy? Why?

Follow-up Activity

Use Hammond's transparency Series #8427, The Great Depression, to get a graphic analysis of the depression.

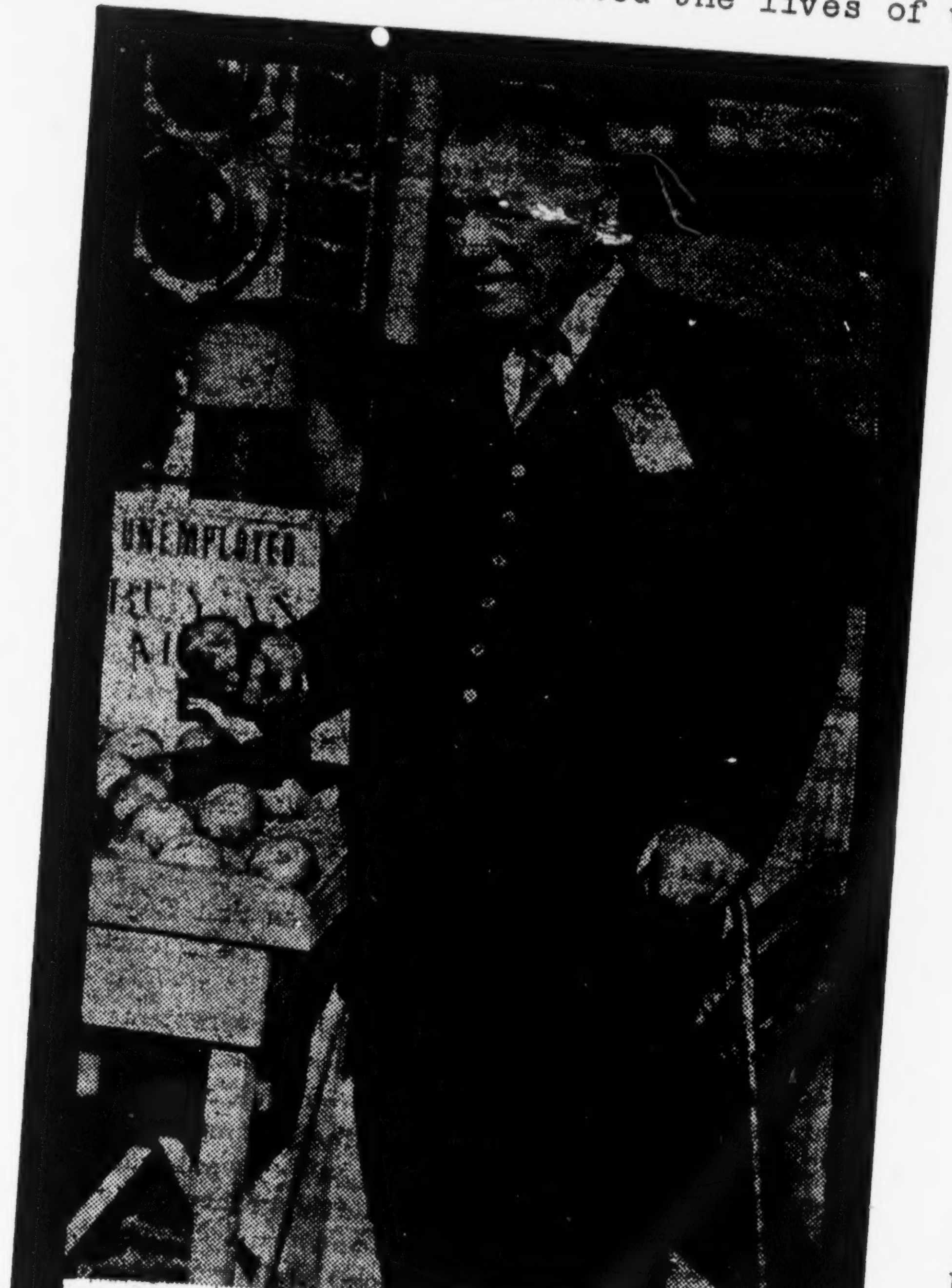
Questions for Discussion

1. What effect did the depression have on home construction? Banking? The stock market?

2. How did the depression of the 1930's affect the distribution of income in the United States?

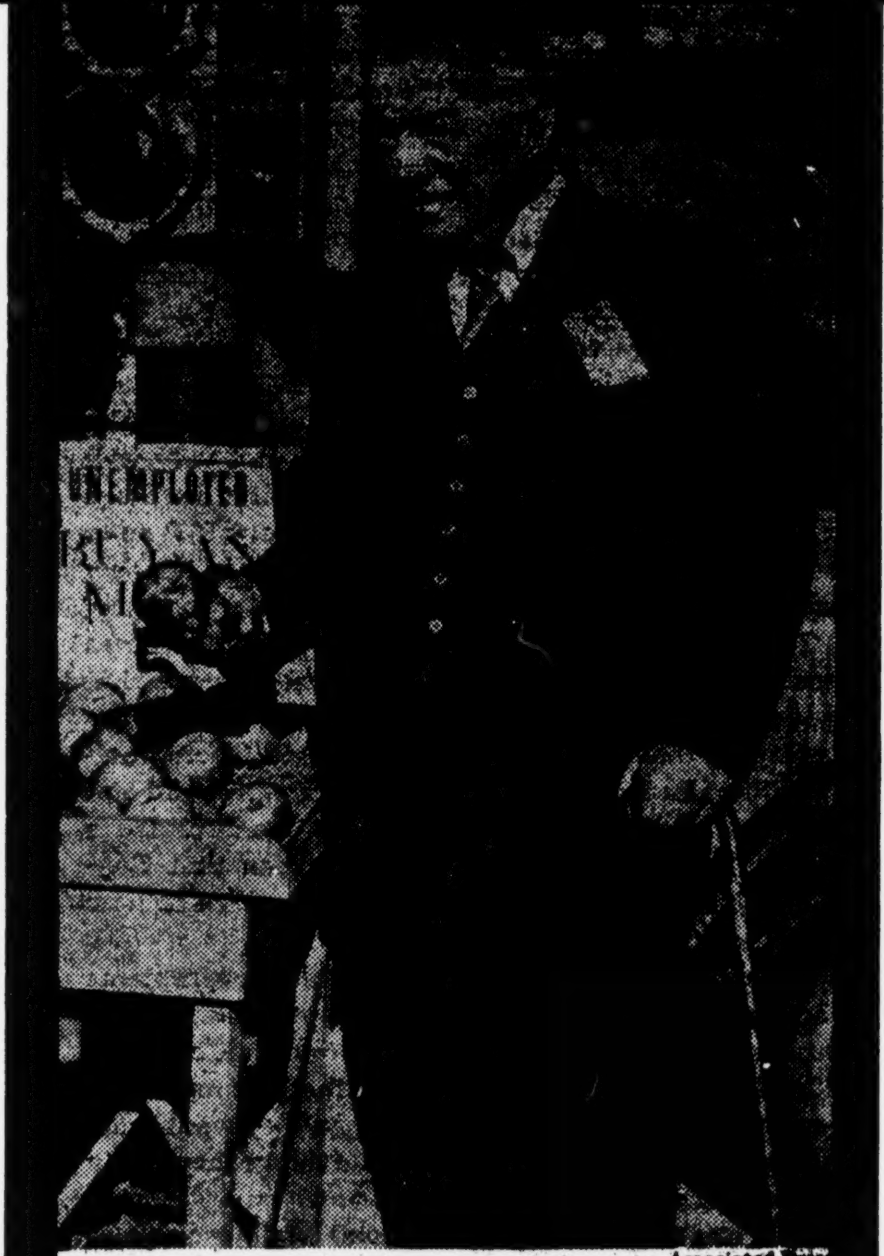
3. How did our depression affect the rest of the world? How did we respond?

C. Using and interpreting pictures and data to understand how the Depression affected the lives of workers.



Unemployed apple sellers on corners were a frequent sight in the Depression. **Associated Press**

(Source: New York Times)



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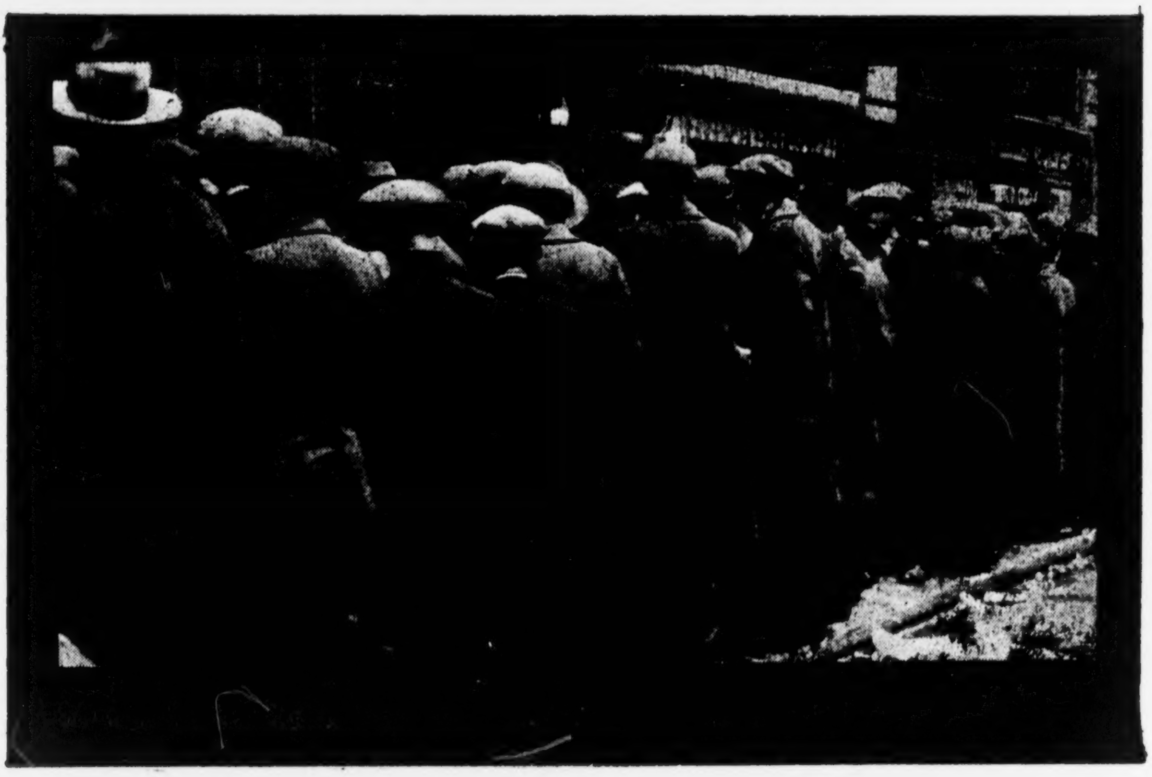

(Source: Senior Scholastic Magazine)

Year	Population (Millions)	Millions Employed	Millions Unemployed	Unemployment Rate
1929	121.7	47.6	1.5	3.2
1930	123.0	45.5	4.3	8.7
1931	124.0	42.4	8.0	15.9
1932	124.8	38.9	12.1	23.6
1933	125.6	38.7	12.8	24.9
1934	126.4	40.9	11.3	21.7
1935	127.3	42.2	10.6	20.1
1936	128.1	44.4	9.0	16.9
1937	128.8	46.3	7.7	14.3
1938	129.8	44.3	10.3	19.0
1939	130.9	45.7	9.4	17.2
1940	132.1	47.5	8.1	14.6

Source: Economic Report of The President, 1969.

Questions for Inquiry and Discovery

1. How did the depression affect the lives of workers?
2. What effect would the experience seen in the photographs have on the individual?
3. What non-economic costs were there to the depression of the 1930's?

Follow-up Activities

1. Student can go through a sequence of valuing by responding to the situations below that are related to the depression era.

   Place your responses in order from "most reasonable" to "least reasonable" by numbering them. Be prepared to defend your opinion.

Problem 1 - People lose their jobs and no longer can buy food.

Alternative Available

They should:

1. Beg in the streets

1930	123.0	45.5	4.3	8.7
1931	124.0	42.4	8.0	15.9
1932	124.8	38.9	12.1	23.6
1933	125.6	38.7	12.8	24.9
1934	126.4	40.9	11.3	21.7
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Problem 1 - People lose their jobs and no longer can buy food.

Alternative Available

They should:

1. Beg in the streets and scavenge in dumps.

2. Steal secretly.

3. Organize groups to protest by stealing openly from grocery markets.

4. Quietly starve.

5. Organize a protest on the steps of City Hall.

Problem 2 - People lose their jobs and no longer can pay rent or make payments on their mortgages.

Alternative Available

They should:

1. Continue living in one's apartment or home and barricade oneself in if there is any attempt to evict.
2. Continue living in one's apartment or home and defend oneself with arms, if necessary.
3. Move onto the street when evicted and camp in front of one's home or apartment.
4. Move to a vacant lot and camp quietly.
5. Move in with friends or relatives, even though this becomes a major disruption.

Problem 3 - A local construction company that repairs and maintains homes and apartments is about to go out of business because people cannot afford to pay for its services, even though the services are much needed.

Alternative Available

We should:

1. Have the city take over the company and run it as a "public service".
2. Have the city give money to private homeowners to keep their homes in repair if they show they cannot afford to pay for such repairs
3. Have the city give money directly to the company to keep it in business, but maintain it as a private enterprise.
4. Let the company go out of business.

(Source: The New Deal. Public Issues Series/Harvard Social Studies Project, American Educational Publications, 1968.)

*2. Students can ask their parents and grandparents about their experiences during the depression years. These can be shared with the class.

Student Questionnaire

1. How much were you earning in 1929?
2. Where were you living?
3. Did you lose your job during the depression? ____ When? _____ For how long? ______________.

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Student Questionnaire

1. How much were you earning in 1929?

2. Where were you living?

3. Did you lose your job during the depression? ____
When? _____ For how long? ____________________.

4. What change took place in your income?

5. How did these changes affect your plans for:

   a. education
   b. leisure time
   c. daily living

6. How has your experience with the depression affected your way of living today?

*Recommended for Students Achieving Below Grade Level.

3. The class can bring in a passage from a novel of the period that best describes the period. This can be used as the basis of a class discussion.

   This activity should be tied to a library resource and research activity. The following steps can be taken:

   1. Introduce sources to students through a functional library lesson with bibliography and multi-media resources listed.

   2. Time should be provided for reading groups to meet in small group seminars to discuss the materials read under topical headings: social problems, the times reflected in literature, etc.

   3. Reporting to class as a panel discussion.

Using literature to learn about the effect of the depression on the lives of people.

A 1926 Nash sedan pulled wearily off the highway. The back seat was piled nearly to the ceiling with sacks, with pots and pans, and on the very top, right up against the ceilng, two boys rode. On the top of the car, a mattress and a folded tent; tent poles tied along the running board. The car pulled up to the gas pumps. A dark-haired,hhatchet-faced man got slowly out. And the two boys slid down from the load and hit the ground.

Mae walked around the counter and stood in the door. The man was dressed in gray wool trousers and blue shirt, dark blue with sweat on the back and under the arms. The boys in overalls and nothing else, ragged patched overalls. Their hair was light, and it stood up evenly all over their heads, for it had been roached. Their faces were streaked with dust. They went directly to the mud puddle under the hose and dug their toes into the mud.

The man asked, "Can we git some water, ma'am?"

A look of annoyance crossed Mae's face. "Sure go ahead." She said softly over her shoulder, "I'll keep my eye on the hose." She watched while the man slowly unscrewed the radiator cap and ran the hose in.

A woman in the car, a flaxen-haired woman, said, "See if you can't git it here."

The man turned off the hose and screwed on the cap again. The little boys took the hose from him and they upended it and drank thirstily. The man took off his dark, stained hat and stood with a curious humility in front of the screen. "Could you see your way to sell us a loaf of bread, ma'am?"

Mae said, "This ain't a grocery store. We got bread to make san'widges."

"I know, ma'am." His humility was insistent. "We need bread and there ain't nothin for quite a piece, they say."

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"'F we sell bread we gonna run out." Mae's tone was faltering.

"We're hungry," the man said.

"Whyn't you buy a san'widge? We got nice san'widges, hamburgs."

"We'd sure admire to do that, ma'am. But we can't. We got to make a dime do all of us." And he said embarrassedly, "We ain't got but a little."

Mae said, "You can't get no loaf a bread for a dime. We only got fifteen-cent loafs."

From behind her Al growled, "God Almighty. Mae, give 'em bread."

"We'll run out 'fore the bread truck comes."

"Run out, then goddamn it," said Al. And he looked sullenly down at the potato salad he was mixing.

Mae shrugged her plump shoulders and looked to the truck drivers, to show them what she was up against.

She held the screen door open and the man came in, bringing a smell of sweat with him. The boys edged in behind him and they went immediately to the candy case and stared in - not with craving or with hope or even with desire, but just with a kind of wonder that such things could be. They were alike in size and their faces were alike. One scratched his dusty ankle with the toe nails of his other foot. The other whispered some soft message and then they straightened their arms so that their clenched fists in the overall pockets showed through the thin blue cloth.

Mae opened a drawer and took out a long waxpaper-wrapped loaf. "This here is a fifteen-cent loaf."

The man put his hat back on his head. He answered with inflexible humility. "Won't you - can't you see your way to cut off ten cents' worth?"

Al said snarlingly, "Goddamn it, Mae. Give 'em the loaf."

The man turned toward Al. "No, we want to buy ten cents' worth of it. We got it figgered awful close mister, to get to California."

Mae said resignedly, "You can have this for ten cents."

"That'd be robbin' you, ma'am."

"Go ahead - Al says to take it." She pushed the waxpapered loaf across the counter. The man took a deep leather pouch from his rear pocket, untied the strings, and spread it open.

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"Go ahead - Al says to take it." She pushed the waxpapered loaf across the counter. The man took a deep leather pouch from his rear pocket, untied the strings, and spread it open. It was heavy with silver and with greasy bills.

"May soun' funny to be so tight," he apologized. "We got a thousan' miles to go, and we don't know if we'll make it." He dug in the pouch with a forefinger, located a dime, and pinched in for it. When he put it down on the counter he had a penny with it. He was about to drop the penny back into the pouch when his eye fell on the boys frozen before the candy counter. He moved slowly down to them. He pointed in the case at big long sticks of striped peppermint. "Is them penny candy, ma'am?"

Mae moved down and looked in. "Which ones?"

"There, them stripy ones."

The little boys raised their eyes to her face and they stopped breathing; their mouths were partly opened, their half-naked bodies were rigid.

"Oh - them. Well, no - them's two for a penny."

"Well, gimme two then, ma'am." He placed the copper cent carefully on the counter. The boys expelled their held breath softly. Mae held the big sticks out.

"Take 'em," said the man.

They reached timidly, each took a stick, and they held them down at their sides and did not look at them. But they looked at each other, and their mouth corners smiled rigidly with embarrassment.

"Thank you, ma'am." The man picked up the bread and went out the door, and the little boys marched stiffly behind him, the red-striped sticks held tightly against their legs. They leaped like chipmunks over the front seat and onto the top of the load, and they burrowed back out of sight like chipmunks.

The man got in and started his car, and with a roaring motor and a cloud of blue oily smoke the ancient Nash climbed up on the highway and went on its way to the west.

(Source: The Grapes of Wrath. John Steinbeck. New York: The Viking Press. 1939. Pp. 216-219.)

Questions for Inquiry and Discovery

1. What effect did the depression have on this family?
2. How do they feel about their chances to start a new life?
3. Does this selection help you understand the effects of the depression? How?
4. How valid are novels, plays, poetry and music as historical evidence?

Follow-up Activities

1. Teachers and students can use some of the materials below to get the flavor and meanings of the depression and its impact on the American economy and on American life (see bibliography).

   The Great Depression - filmstrip, Holt, Rinehart & Winston

   You Have Seen Their Faces - Pictures, Erskine Caldwell and Margaret Bourke-White

   Beans, Bacon & Gravy - Folksong

   Buddy Can You Spare a Dime - Popular Song

   I Can Hear It Now - Edward R. Murrow

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   Since Yesterday - Frederick Lewis Allen

   The Golden Twenties - Film available from BAVI

   The '29 Boom and "30's Depression - Film available from BAVI

2. Students can be assigned to view microfilm reports of the depression years and report on how New Deal agencies aided: unemployed workers, poor farmers, youth.

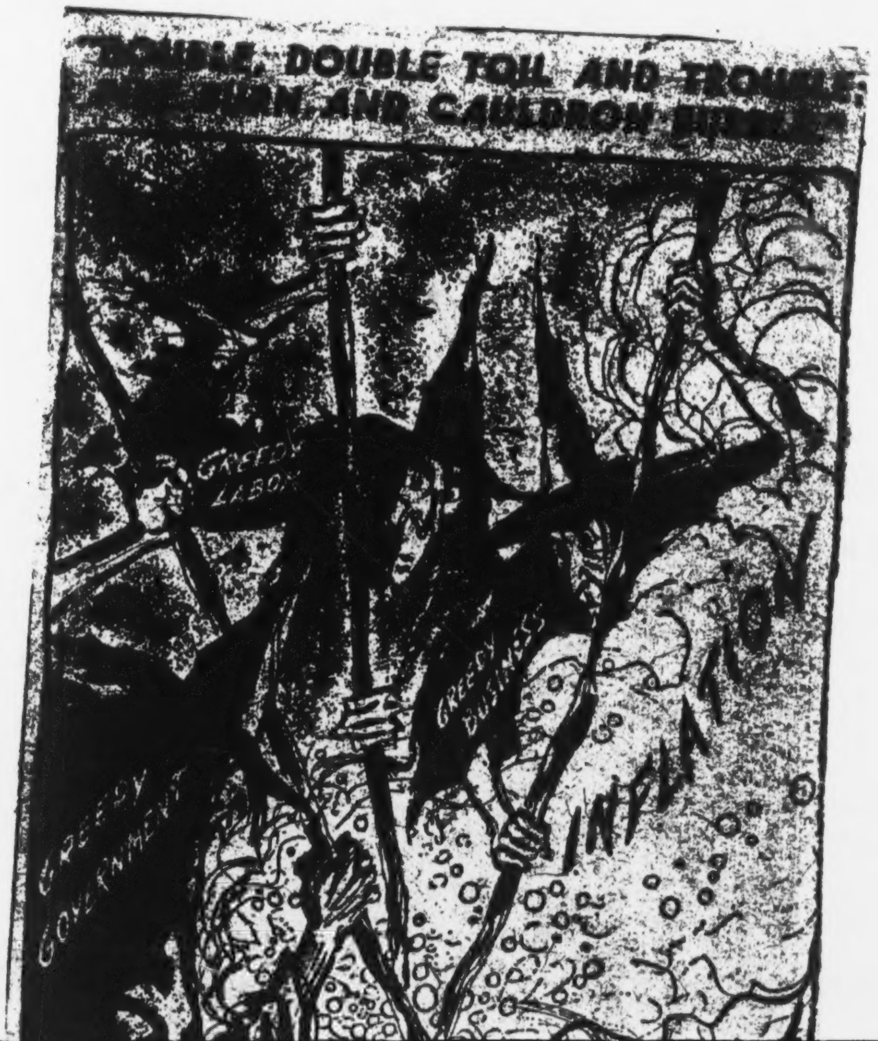
III. WHAT EFFECT HAS INFLATION HAD ON OUR SOCIETY?

Emphases:

Inflation has affected all people in our society but some have been hurt more than others.

Attempts to deal with inflation have been complicated by political and social factors.

A. Using cartoons to discover the causes of increasing prices.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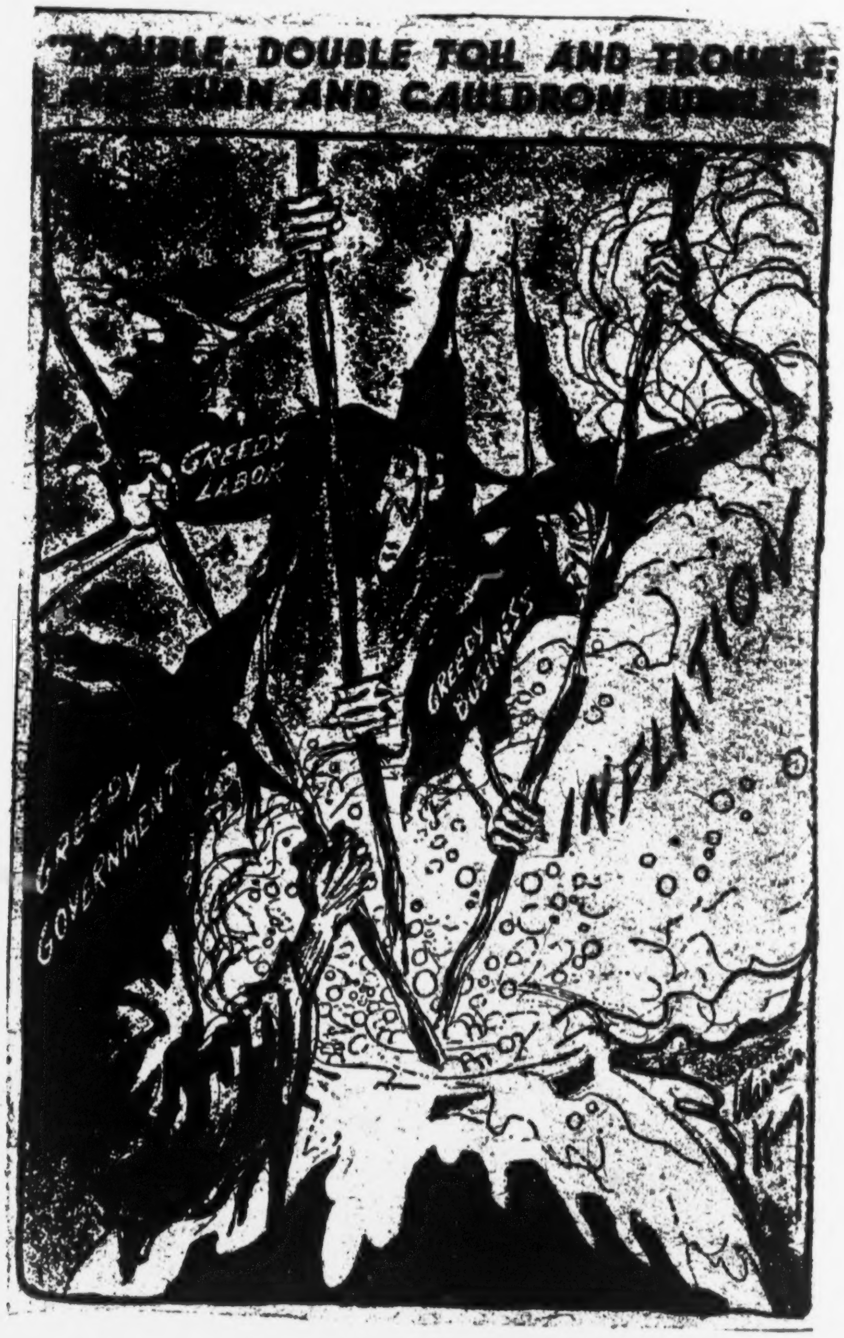
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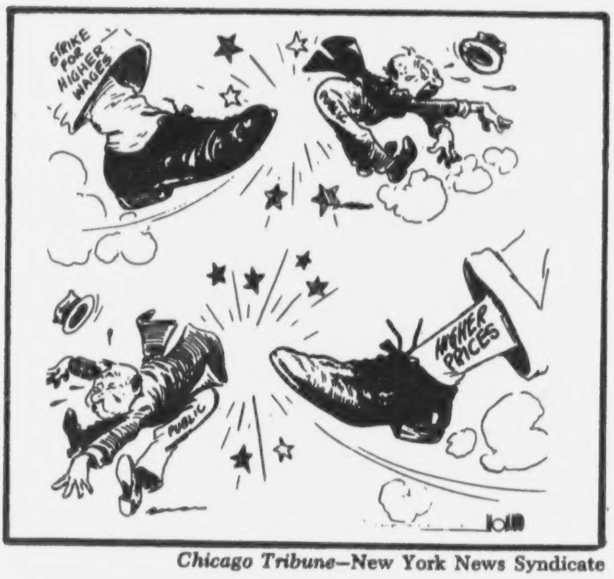
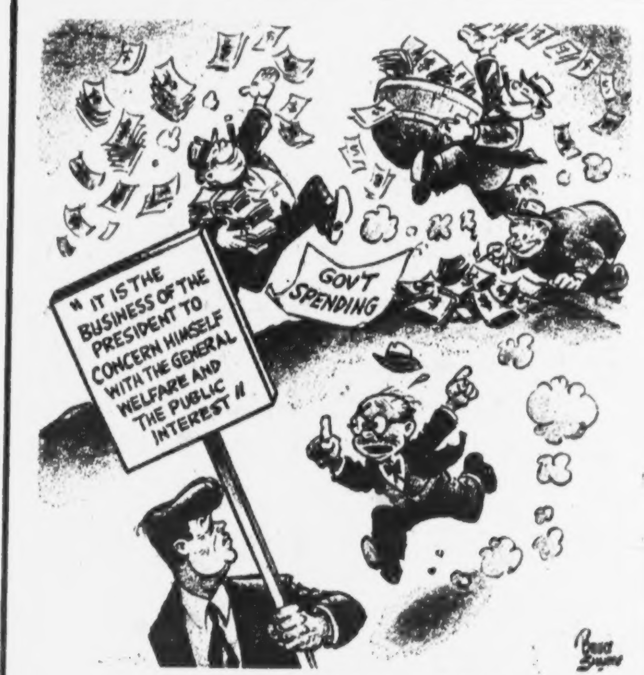
INFLATION

(Source: New York Daily News)

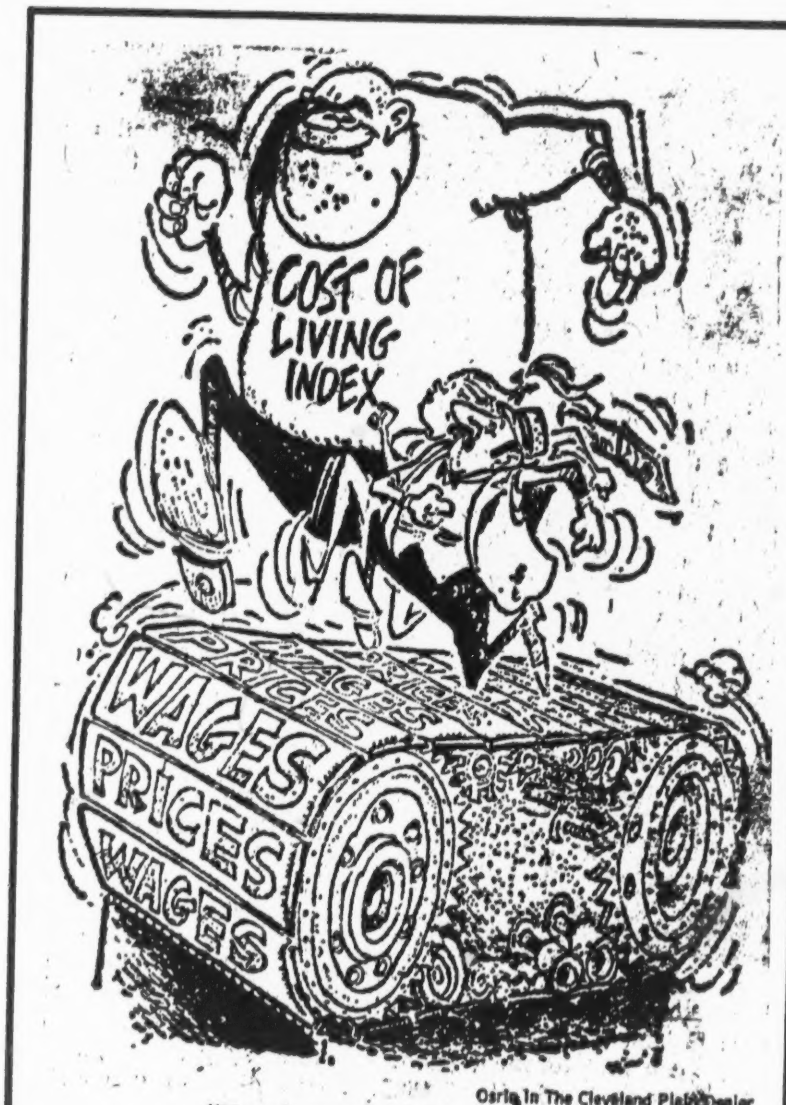

STRIKE FOR HIGHER WAGES
PUBLIC
PUBLIC
HIGHER PRICES

Chicago Tribune—New York News Syndicate


"IT IS THE BUSINESS OF THE PRESIDENT TO CONCERN HIMSELF WITH THE GENERAL WELFARE AND THE PUBLIC INTEREST"
GOV'T SPENDING

Shanks in *Buffalo Evening News*

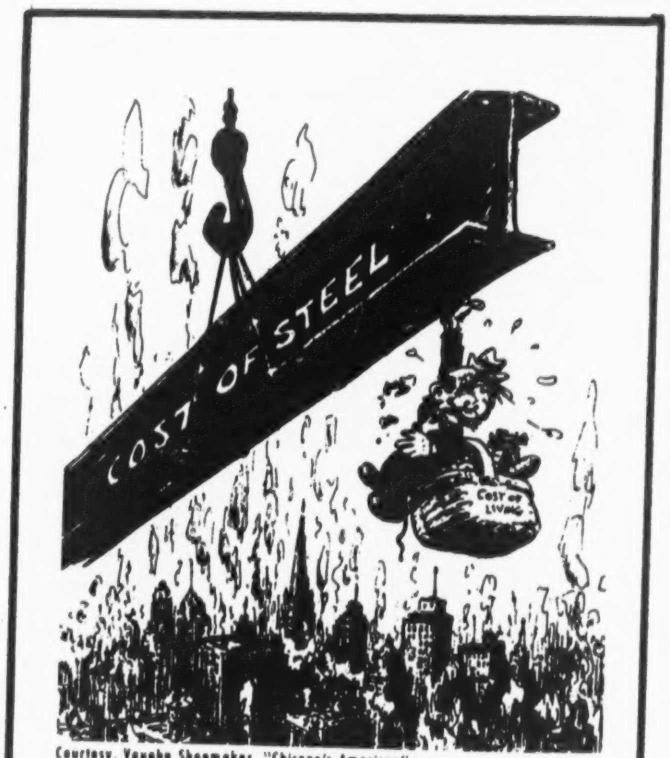
"Hey! Right over here!"



Osrin in The Cleveland Plain Dealer

"Keeping up with the Joneses."

(Source: New York Times)



Courtesy, Vaughn Shoemaker, "Chicago's American"

"Oh, no, not higher!"; Shoemaker cartoon, late 1950s

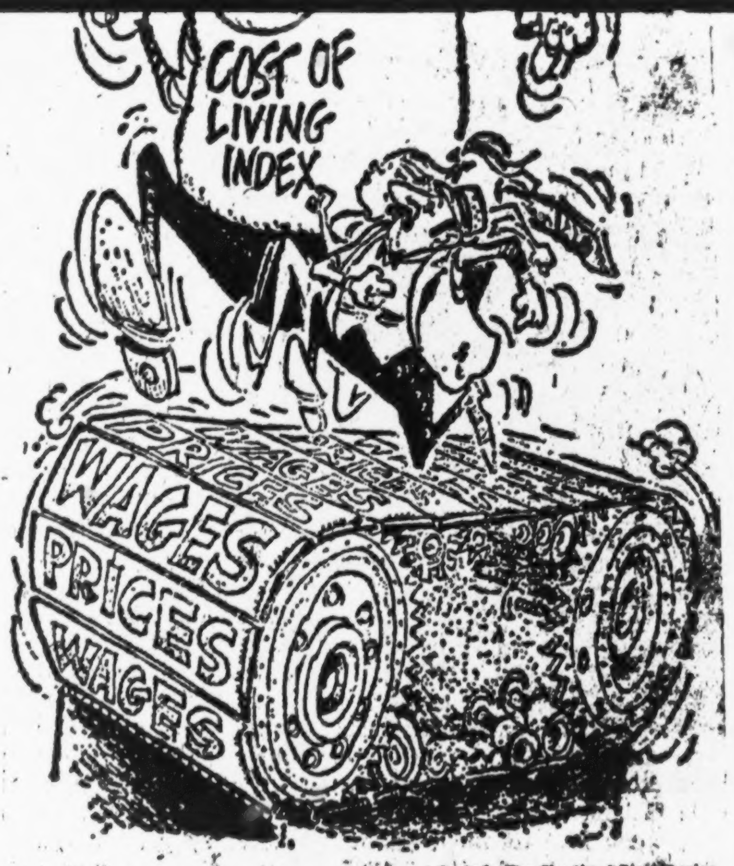
(Source: Annals of American History, Encyclopedia Britannica, 1969)

Questions for Inquiry and Discovery

1. Where does the cartoonist place the responsibility for higher prices in each of the cartoons?
2. How might labor be a cause of price increases?
3. How can management decisions affect the cost of living?
4. Why might we blame government for the rise in prices?
5. What role does the consumer play in the upward spiral of prices?
6. According to cartoonist #5, where is the blame to be placed for inflation?

Follow-up Activity

**a. Students can analyze the 1967-1968 data in the 1969 Economic Report of the President related to prices, wage increases, profits, government spending and consumer buying.



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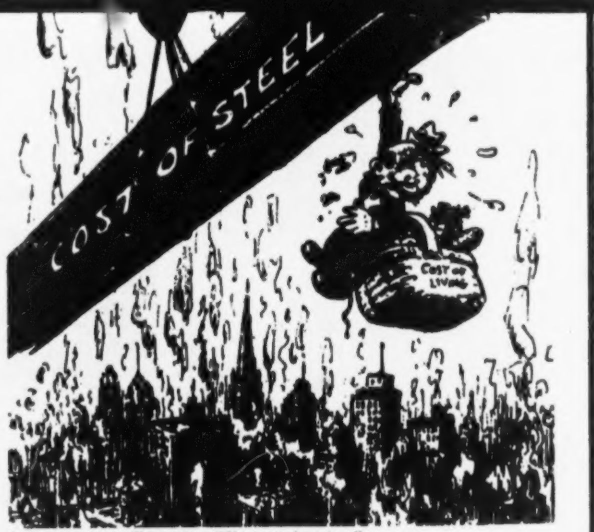

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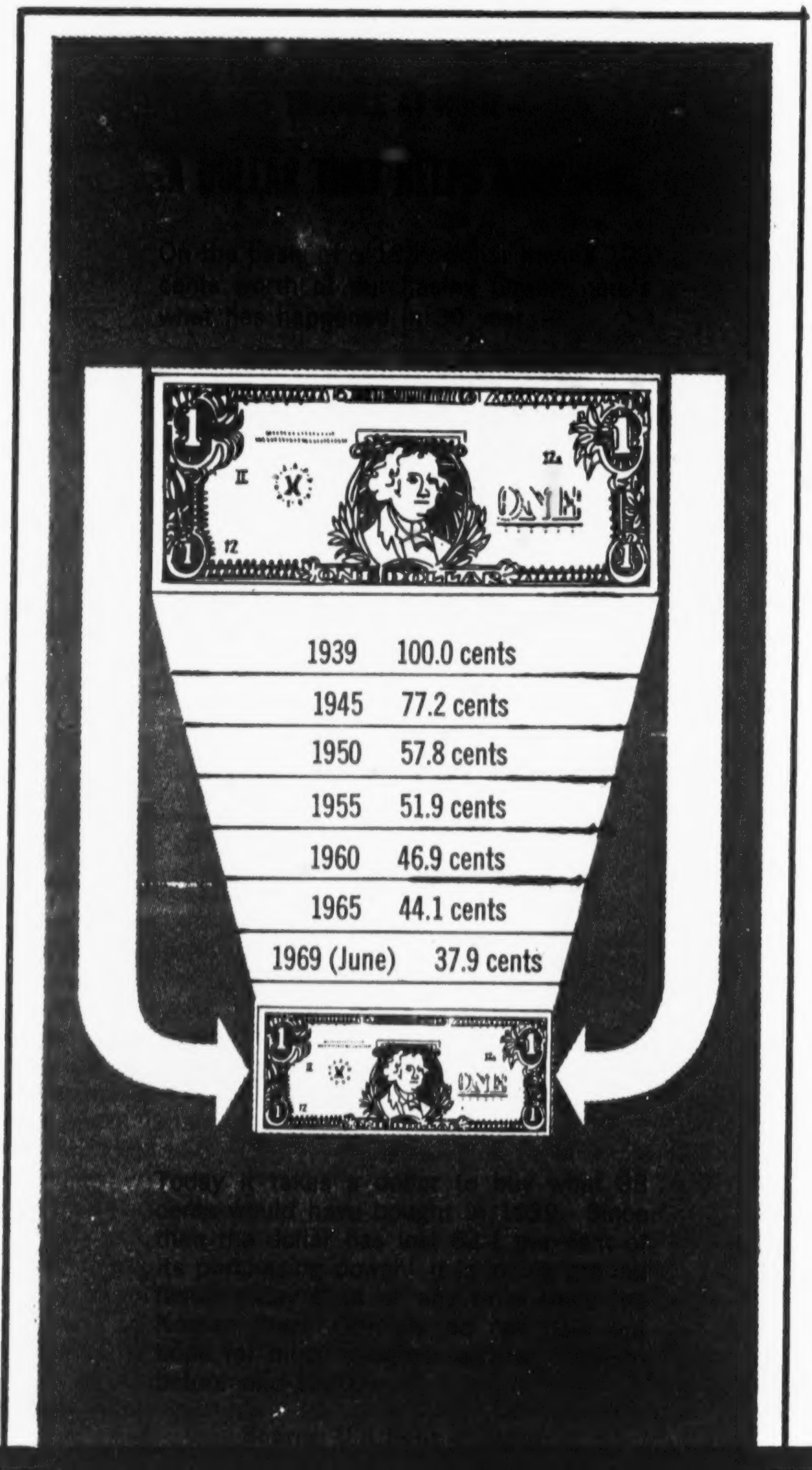
**Recommended for Students Achieving Above Grade Level.

1. Does the data verify the views expressed by the cartoonists?

**2. Is the major cause of inflation "demand-full" or "cost-push?" What evidence can you use to support your answer?

B. *Using a diagram to learn about inflation.



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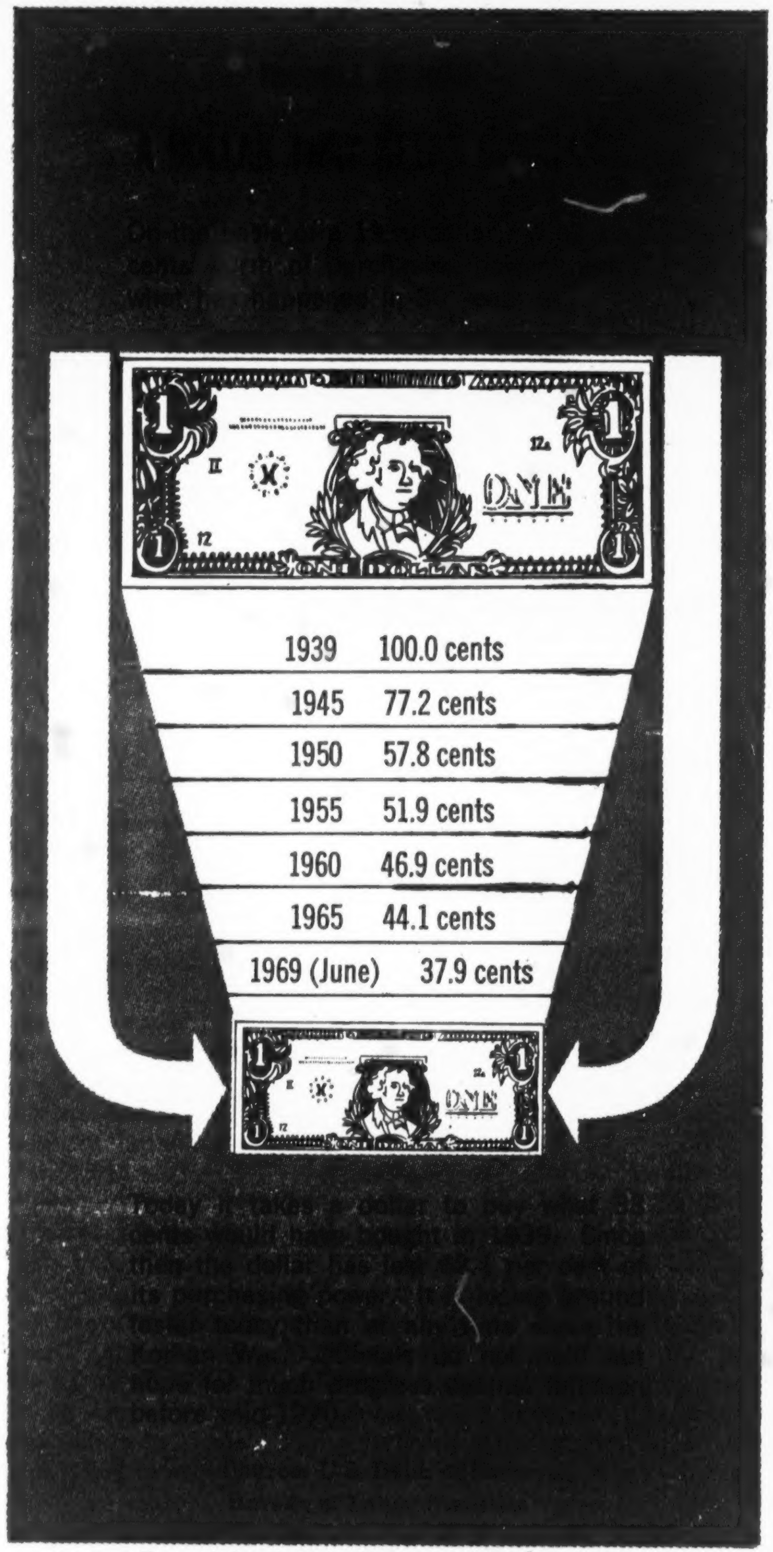

1939	100.0 cents
1945	77.2 cents
1950	57.8 cents
1955	51.9 cents
1960	46.9 cents
1965	44.1 cents
1969 (June)	37.9 cents

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Questions for Inquiry and Discovery

1. Why is the size of the dollar bill shown to be smaller in 1969 than in 1939?

2. What has happened to prices during this period?

*Recommended for Students Achieving Below Grade Level.
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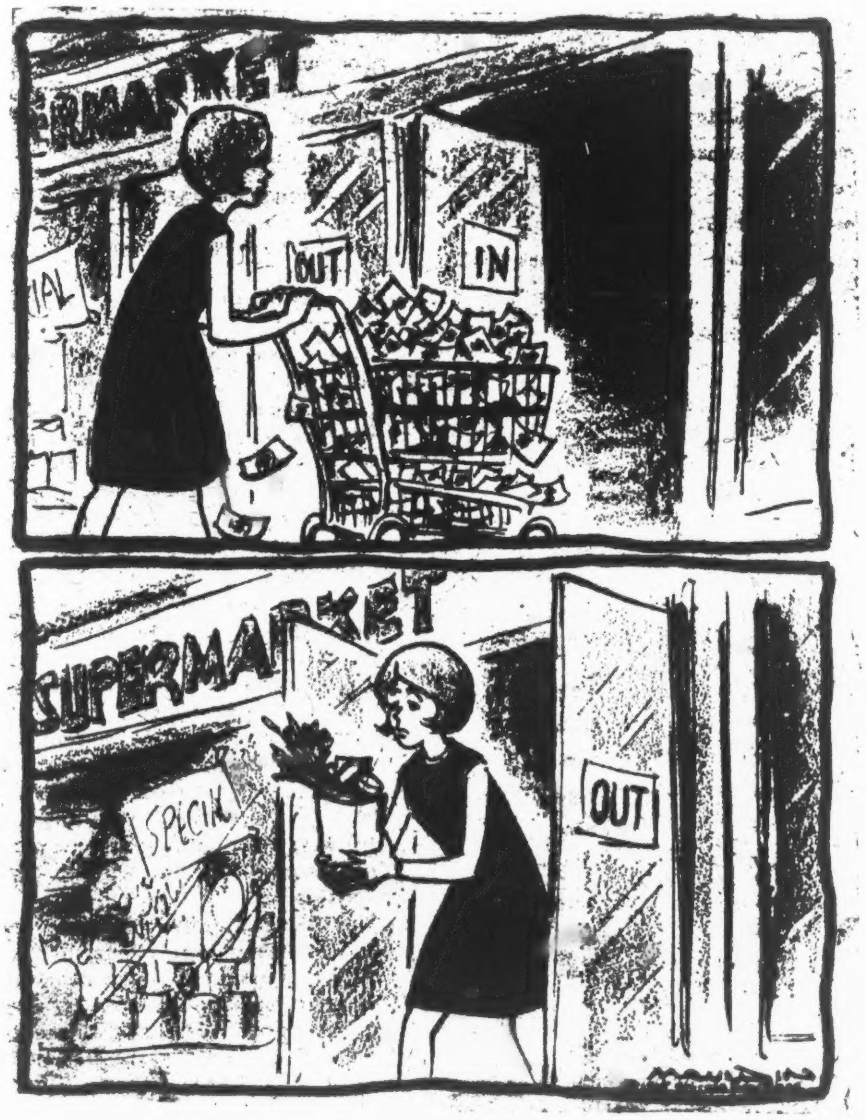
3. What has happened to the amount that you could buy with your income during this period?

4. How does inflation hurt the consumer?

Follow-up Activities

*1. Cartoons


RMARKET
IAL
OUT
IN
SUPERMARKET
SPECIAL
OUT

(Source: New York Times)

Questions for Inquiry and Discovery

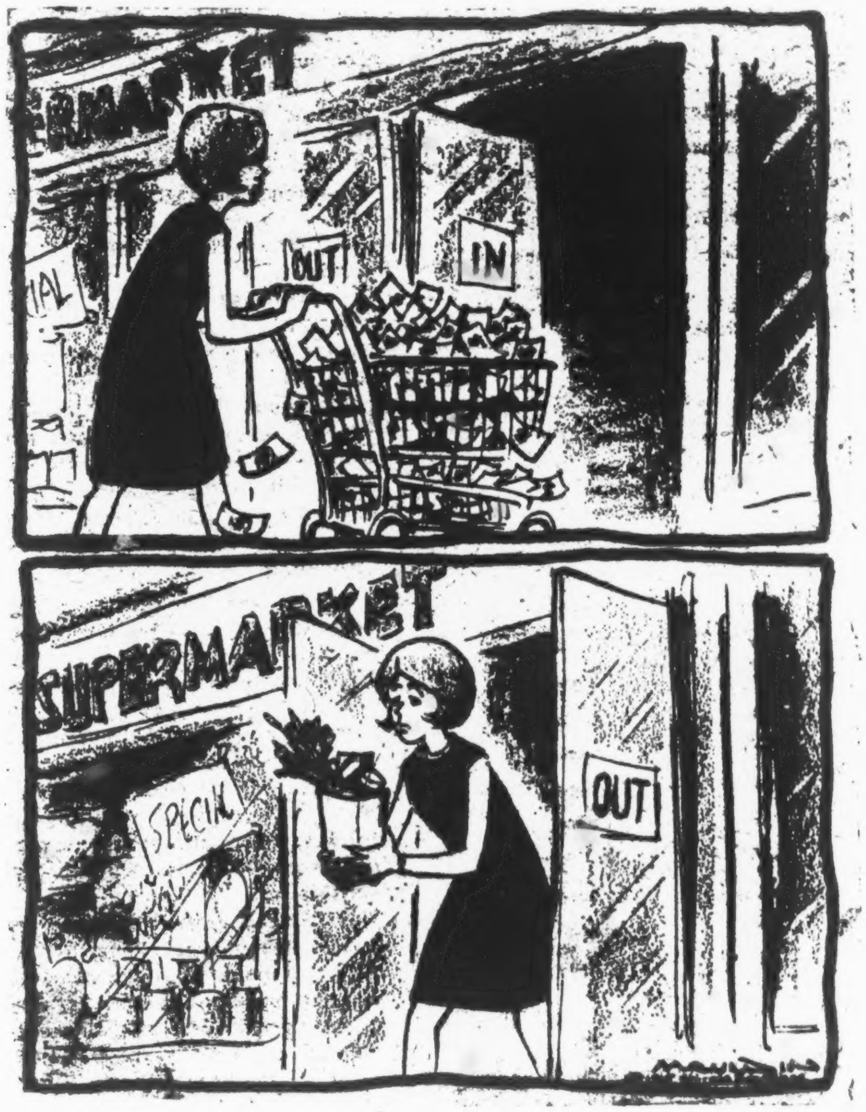
1. What has happened to prices according to this cartoon?

2. What has happened to the value of money?

4. How does inflation hurt the consumer?

Follow-up Activities

*1. Cartoons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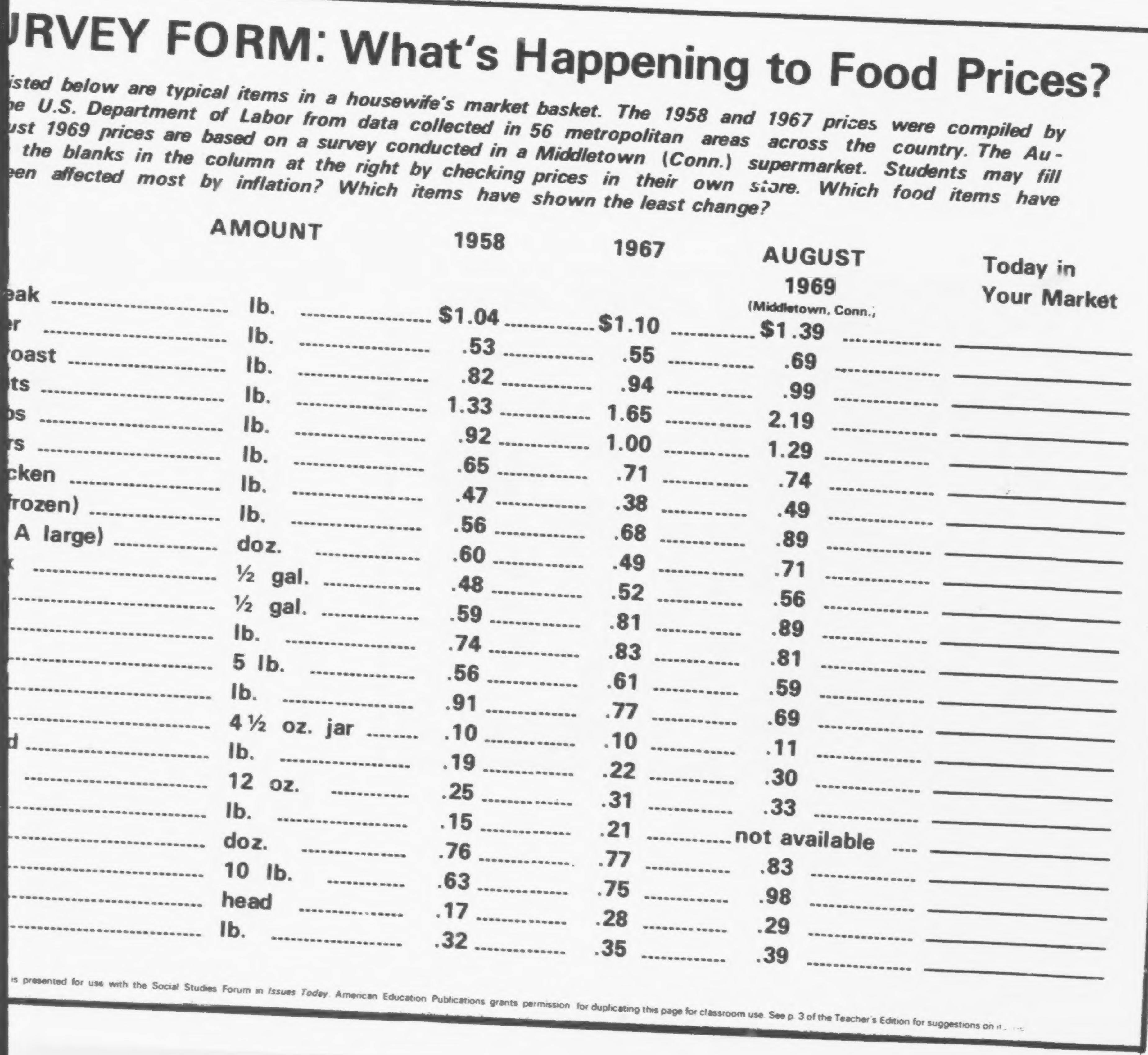
*Community Study

Use the survey form below to find out if prices have indeed increased.



URVEY FORM: What's Happening to Food Prices?

isted below are typical items in a housewife's market basket. The 1958 and 1967 prices were compiled by he U.S. Department of Labor from data collected in 56 metropolitan areas across the country. The Au- ust 1969 prices are based on a survey conducted in a Middletown (Conn.) supermarket. Students may fill the blanks in the column at the right by checking prices in their own store. Which food items have een affected most by inflation? Which items have shown the least change?

	AMOUNT	1958	1967	AUGUST 1969 (Middletown, Conn.)	Today in Your Market
eak	lb.	$1.04	$1.10	$1.39	
er	lb.	.53	.55	.69	
oast	lb.	.82	.94	.99	
ts	lb.	1.33	1.65	2.19	
ps	lb.	.92	1.00	1.29	
rs	lb.	.65	.71	.74	
cken	lb.	.47	.38	.49	
rozen)	lb.	.56	.68	.89	
A large)	doz.	.60	.49	.71	
k	½ gal.	.48	.52	.56	
	½ gal.	.59	.81	.89	
	lb.	.74	.83	.81	
	5 lb.	.56	.61	.59	
	lb.	.91	.77	.69	
	4½ oz. jar	.10	.10	.11	
d	lb.	.19	.22	.30	
	12 oz.	.25	.31	.33	
	lb.	.15	.21	not available	
	doz.	.76	.77	.83	
	10 lb.	.63	.75	.98	
	head	.17	.28	.29	
	lb.	.32	.35	.39	

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SURVEY FORM: What's Happening to Food Prices?

Listed below are typical items in a housewife's market basket. The 1958 and 1967 prices were compiled by the U.S. Department of Labor from data collected in 56 metropolitan areas across the country. The August 1969 prices are based on a survey conducted in a Middletown (Conn.) supermarket. Students may fill in the blanks in the column at the right by checking prices in their own store. Which food items have been affected most by inflation? Which items have shown the least change?

ITEM	AMOUNT	1958	1967	AUGUST 1969 (Middletown, Conn.)	Today in Your Market
Round steak	lb.	$1.04	$1.10	$1.39	
Hamburger	lb.	.53	.55	.69	
Beef rib roast	lb.	.82	.94	.99	
Veal cutlets	lb.	1.33	1.65	2.19	
Pork chops	lb.	.92	1.00	1.29	
Frankfurters	lb.	.65	.71	.74	
Frying chicken	lb.	.47	.38	.49	
Haddock (frozen)	lb.	.56	.68	.89	
Eggs (Gr. A large)	doz.	.60	.49	.71	
Fresh milk	½ gal.	.48	.52	.56	
Ice cream	½ gal.	.59	.81	.89	
Butter	lb.	.74	.83	.81	
Sugar	5 lb.	.56	.61	.59	
Coffee	lb.	.91	.77	.69	
Baby food	4½ oz. jar	.10	.10	.11	
White bread	lb.	.19	.22	.30	
Cornflakes	12 oz.	.25	.31	.33	
Apples	lb.	.15	.21	not available	
Oranges	doz.	.76	.77	.83	
Potatoes	10 lb.	.63	.75	.98	
Lettuce	head	.17	.28	.29	
Tomatoes	lb.	.32	.35	.39	

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*Recommended for Students Achieving Below Grade Level.

3. Item: Several weeks ago, a New York restaurant celebrated its 100th anniversary by serving dinner on the basis of its original 1868 menu, including its 1868 prices. The most popular meal proved to be the five-course dinner for 12 cents. It included sausage (4 cents), soup (2 cents), liver with salad and potatoes (3 cents), pie (2 cents), and coffee (1 cent). In 20-degree weather, over 1,000 people waited in line up to three hours to get in.

Item: In 1931, Babe Ruth received a salary of $80,000 from the New York Yankees; in 1967, Willie Mays was paid $125,00 by the San Francisco Giants. Who was better off?

On his $80,000, Ruth paid $11,500 in Federal income taxes, giving him a take-home pay of $68,500. On his $125,000, Mays paid a Federal income tax of $73,000, leaving $52,000 in take-home pay. In addition, consumer prices today are about 2.2 times as high as they were in 1931. At today's prices, Mays' $52,000 take-home will only buy what $23,600 would have bought in 1931. In terms of purchasing power, Mays' salary was worth only about a third of Ruth's.

If Willie Mays were to receive as much purchasing power today as Babe Ruth did in 1931, he would have to be paid $454,000. This would be reduced by income taxes--of $303,300--to a take-home pay of $150,700, which at current prices is what it would take to buy what Babe Ruth could purchase with his $68,500 in 1931.

At those prices, and assuming present tax rates, if Willie Mays were to earn as much purchasing power in the year 2000 as Babe Ruth earned in 1931, he would have to be paid a salary of $956,300. Not very likely, everything considered, for a 69-year-old centerfielder.

(Adapted from Inflation: Yesterday, Today and Tomorrow. Manufacturers Hanover Trust, April 1968.)

Questions for Discussion:

1. What has happened to prices since 1868? Why?

2. What has happened to wages of baseball superstars?

3. How can we tell if people are better off today or not?

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C. Using a case study to understand how inflation affects a family's economic life.

Detroit Family Is 'Just Keeping Even'

By JERRY M. FLINT
Special to The New York Times

DETROIT — The last few years have been pretty good for Joseph Anthony Bozich, a 31-year-old Detroit firefighter, and his dark-haired wife, Patricia.

There's his pay: He makes $10,700 now and next month gets a [illegible] raise. Last year firemen's pay jumped $2,000 here.

And there are the things the money buys: Last October the Boziches moved into a bigger home, added a second car and bought baby clothes for a second son, James, who arrived that month.

But lately, with inflation nibbling increasingly at their earnings, the Boziches have begun to entertain fresh doubts about how far they've come since he donned the firefighter's uniform in 1960.

[illegible] Left

[illegible] year to [illegible] much better off [illegible] Bozich remarked [illegible] day. [illegible] even. "Tomorrow is [illegible] and [illegible] not one do[illegible] left."

[illegible] does [illegible] or [illegible] But he [illegible] and $20 [illegible]

[illegible] Joe and [illegible] Pat, who favors mod styles, are typical of more and more middle-income earners around the nation who have seen soaring inflation eat into their in[illegible].

Consumer prices have risen 6.4 per cent in the last year, with no quick end to the climb in sight. And in recent months the increase has wiped out last year's wage gains for the typical factory worker.

There are many financial irritations for the Bozich family.

"Steaks are the one thing I miss," Joe said. "We used to have steaks three or four times a week, sirloins. Now the cheapest cut is $1.19 a pound."

So the Boziches eat more poultry.

Fewer Snacks on Hand

"Joe loves snacks," Pat said. "We always used to have some around — potato chips, Fritos, bugles. Now if someone drops in we have to run to the store."

"In the old days we'd go by the Dairy Queen and get the banana split instead of the 10-cent cone," Joe said.

"Joey likes parfaits," he added, referring to his older son, Joseph Anthony 2d, who is 7, "and a year or so ago that was fine, at 60 cents each. But that came to $18 a month, and now there are no more parfaits."

Inflation is shortchanging Joey in another way. He is supposed to have $2 put into his bank every other week. He chose this instead of a weekly cash allowance. If he audited, he would find that the $2 hasn't been saved the last few months.

"I just don't have the money," Pat said.

The pinch could tighten. Joe, like most firemen, has a second job to add to his income. He works on roofs and last year business boomed. He reroofed 30 homes earning $3,000. This year he has had only two jobs and is puzzled.

Has Barber's License

"I know I'm the lowest bidder," he said, but the people "aren't getting the work done."

It might be the cool rainy weather this spring in Detroit or it might be that homeowners don't have the extra money, either, Pat said.

If roofing doesn't pick up, Joe has a barber's license that he can use, or he'll learn another trade to supplement his income.

He works a 56-hour week on average.

The family's credit union [illegible]

[illegible] ing a two-family flat for $8,500 and sold it a couple of years ago for $11,[illegible]. They then bought a two-[illegible] bungalow for $14,500, selling it last year for $1[illegible].

The newest home [illegible] $17,500, with only $[illegible] down and [illegible] per cent mortgage from the Federal Housing Administration.

The new home has seven rooms. They are all small, but they appear to be in good condition, although Joe insists he has to repaint them and replaster ceilings.

On the ground floor there is a front room, dining room and a third room that will be the family room, plus the kitchen.

Upstairs are two bedrooms and a third, unfinished room that will be a bedroom when needed. There is a bath and a half and an unfinished basement.

Rebuilding Kitchen

Joe is spending $1,500 to rebuild the kitchen but saving $1,000 by doing most of the work himself. He tore out a wall and put in the new floor himself.

Pat decorates. For example, she bought unfinished shutters for the front room, painted them and made the curtains.

Joe painted the upper half of the house's exterior white and plans to refinish the timbers in a dark brown.

With home prices spiraling, it is likely that the two-story brick house would sell for several thousand dollars more today. Still, the suburban houses, which start at $31,900, are out of the family's reach.

Joe has his hobbies, too. In the fall he hunts for a week in the woods from a rented cabin, fishes once a week, paints in oils occasionally ("I feel bad when people tell me I'm good when I see work that's really good") and collects guns, Japanese war weapons.

He spent $120 recently for five weapons. This caused a minor stir among the Boziches.

"You understand $120 for guns?" Pat asked. "I don't. And right in the middle of the kitchen repair spending."

Joe and Pat visit the flea markets and have fun buying. A steer's skull bought last week for $4 will go on a wall, and a handsome vase in the living room was found at a roadside stand for $5.

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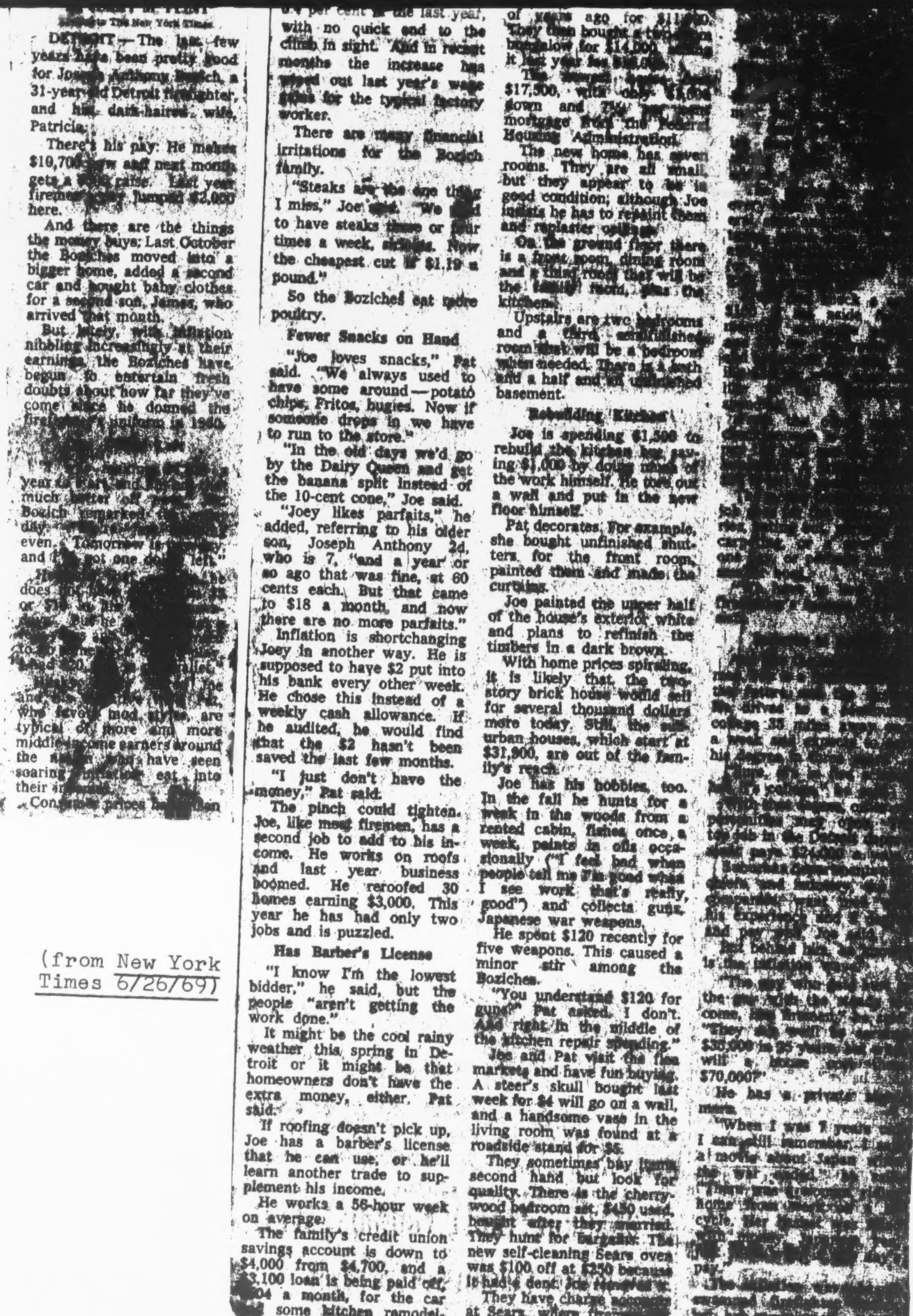
(from New York Times 6/26/69)



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If roofing doesn't pick up, Joe has a barber's license that he can use, or he'll learn another trade to supplement his income.

He works a 56-hour week on average.

The family's credit union savings account is down to $4,000 from $4,700, and a $3,100 loan is being paid off, $104 a month, for the car and some kitchen remodeling.

But the family is moving up, too. There's the house the Boziches [illegible]

of years ago for $11,000. They then bought a two-bedroom bungalow for $14,000, selling it last year for $16,500.

The [illegible] house cost $17,500, with only $1,000 down and [illegible] mortgage from the Federal Housing Administration.

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They sometimes buy items second hand but look for quality. There is the cherrywood bedroom set, $450 used, bought after they married. They hunt for bargains. The new self-cleaning Sears oven was $100 off at $250 because it had a dent. Joe removed it.

They have charge accounts at Sears, where firemen get a 10 per cent discount;

[illegible] carpentry, or [illegible] one [illegible]

[illegible]

[illegible] He drives to a [illegible] college 35 miles away [illegible] a week and expects [illegible] his degree in [illegible]

[illegible]

[illegible] top job in the Detroit [illegible] pays $[illegible]

[illegible] his experience [illegible] and pay," Joe said.

But behind him [illegible] is the inflation [illegible]

"The guy who [illegible] the [illegible] come, [illegible] "They all want [illegible] $35,000 in 25 years [illegible] will a house [illegible] $70,000?"

He has a private [illegible] more.

"When I was 7 years [illegible] I can still remember [illegible] a movie about Japan [illegible] the war ended," he [illegible] "There was [illegible] home from [illegible] cycle, [illegible] pay."

[illegible] about that movie [illegible]

(from New York Times 6/26/69)

Questions for Inquiry and Discovery

1. What evidence is there in this case that Joe Bozich is a victim of inflation?

2. What evidence is there that Joe is a contributor to inflation?

3. How has inflation affected the Bozich family in each of the following areas:

    a. Cost of feeding the family

    b. Paying of debts (mortgage, etc.)

    c. Value of his savings

    d. Value of his house

    e. Number of luxuries enjoyed

**4. In which type of inflation is Joe involved - cost-push or demand-pull? What evidence did you use to determine your answer?

5. What has happened to Joe's overall economic status during this past year? What evidence do you have to support your conclusion?

Question for Discussion

1. Joe feels that "the guy who gets hurt is the guy with the steady income." Is he right? Why?

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Question for Discussion

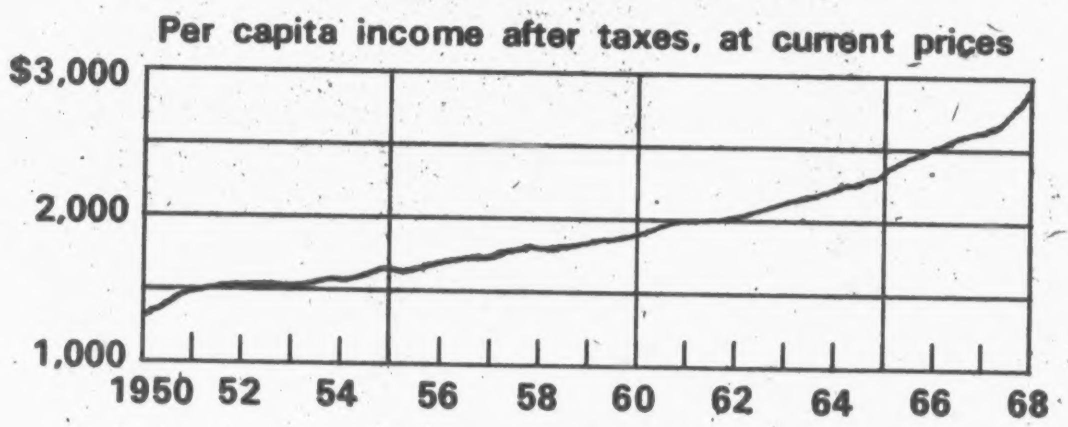
1. Joe feels that "the guy who gets hurt is the guy with the steady income." Is he right? Why?

**Recommended for Students Achieving Above Grade Level.

2. Compare Joe's situation with the graph below.

Personal Income

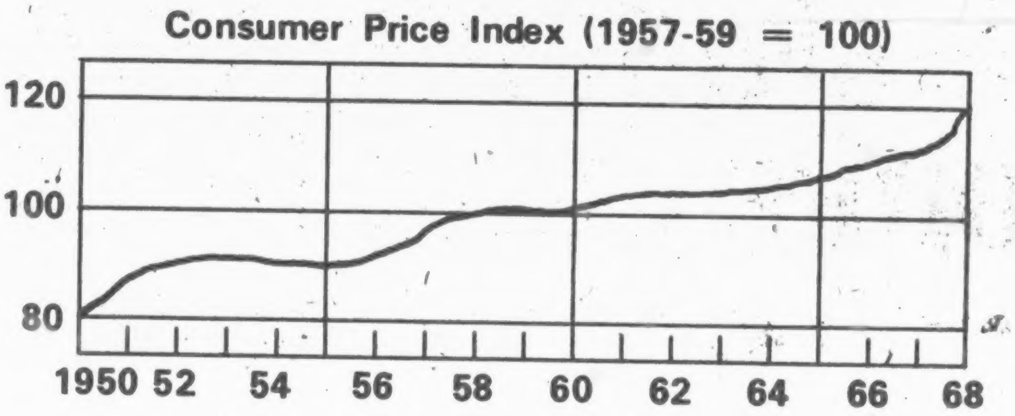
During 1968, incomes, on the average, rose 6.7%.



Source: Economic Report of the President, Jan. '69

Prices

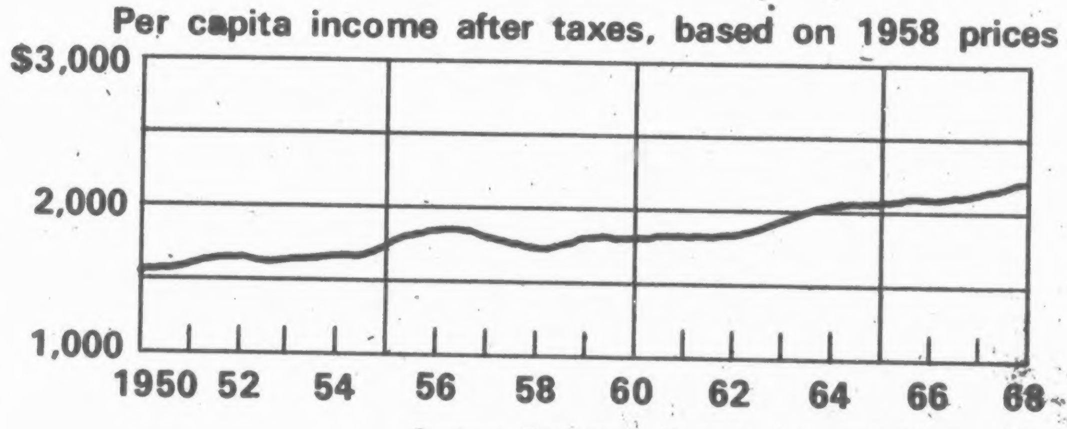
Prices went up, too—4.2% during the year.



Source: Bureau of Labor Statistics

Purchasing Power

Thus, purchasing power increased by only 3%—half as much as dollar income.



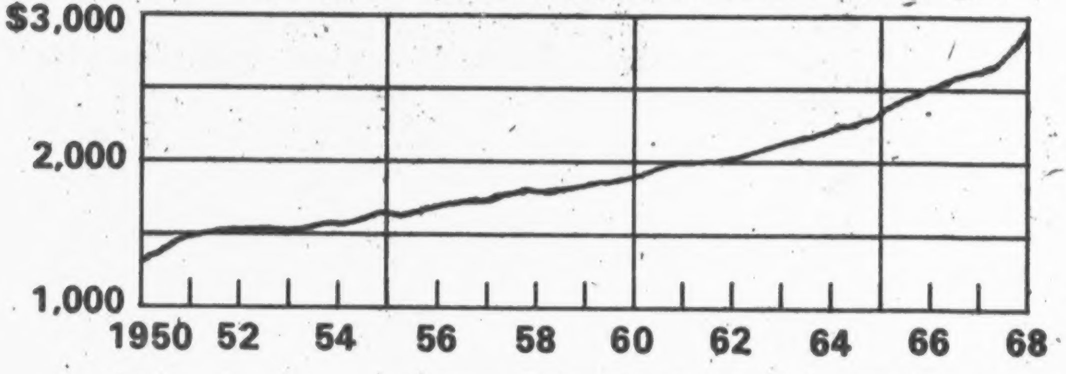
Source: Economic Report of the President, Jan. '69

These graphs are presented for use with the National Affairs article. See the

Personal Income

During 1968, incomes, on the average, rose 6.7%.

Per capita income after taxes, at current prices



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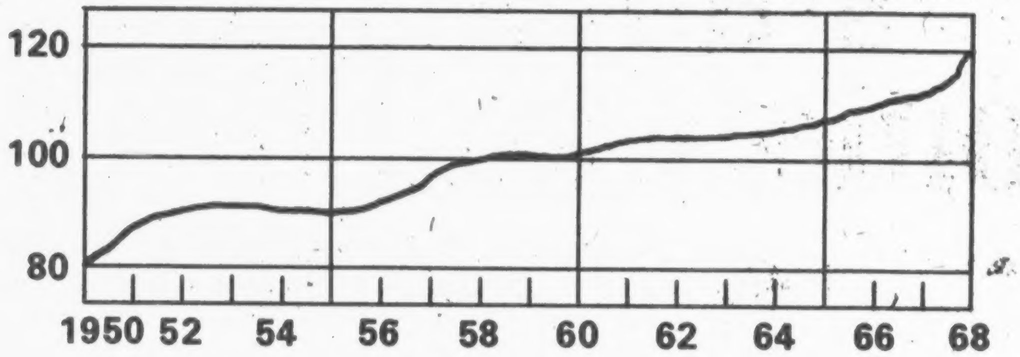
Consumer Price Index (1957-59 = 100)



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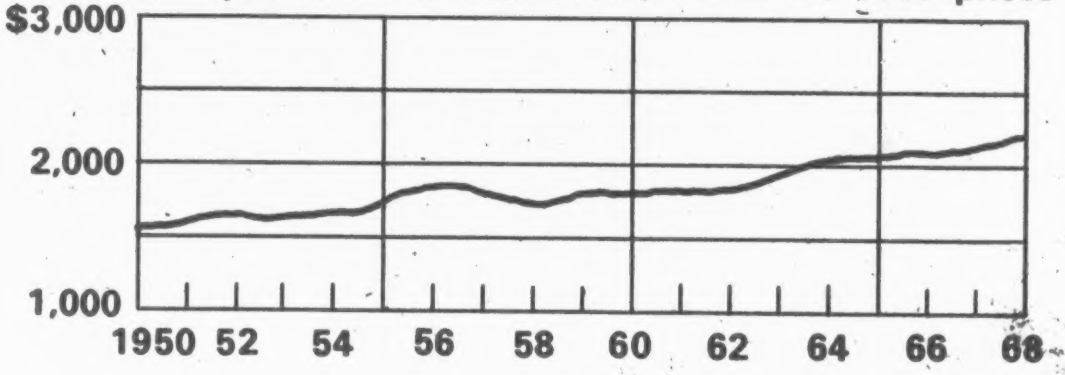
Per capita income after taxes, based on 1958 prices



Source: Economic Report of the President, Jan. '69

These graphs are presented for use with the National Affairs article. See the teaching article for suggestions on their use. American Education Publications grants permission for reproduction of this page for classroom use

a. In what ways do the graphs support Joe's feeling that he is being hurt by inflation?

b. Do the graphs support Joe's conclusion that the worker is the one who is hurt?

c. Is Joe better off now than he was last year?

**D. Using a newspaper article to understand the factors underlying an inflationary trend.

Seeking a Safe Cure For the Inflation

WASHINGTON — The United States has undergone four periods of serious inflation since World War II—1946-48, 1950-52, 1955-57 and 1966-?

The first three were terminated by recessions, with a sharp rise in unemployment, and the same was true of the incipient though milder inflation of 1959-60.

Seemingly everyone from the left of the Democratic party to the right of the Republican—and certainly including Lyndon Johnson and Richard Nixon—says it must not happen that way again. But no one has offered any very persuasive methods of stopping inflation [illegible] some other way.

Indeed, in a moment of frankness last week, Walter W. Heller, President Kennedy's chief economic adviser, said the remedy was [illegible] not recession but [illegible] that, barring such a so[illegible] be doubted that inflation [illegible] get as low as 2 per cent [illegible] in the four years of Mr. [illegible]'s Presidency.

Now it is at a 4.5 per cent rate, and a great many Wall Streeters are betting that next year it will be closer to 5 than to 4. With this kind of belief, they are demanding interest rates of 7 per cent and up before they will put their money in bonds or other fixed-income investments.

Investing Now

Businessmen, betting the same way, are planning to invest more next year than this in new plant and equipment, even with some idle capacity now, because it will only cost more if they wait.

Consumers are more difficult to assess with certainty, but it is clear that they are spending money hand over fist, regardless of a reduction in take-home pay from the 10 per cent income tax surcharge. To offset their drop in income they have greatly expanded their use of consumer credit for the last three months.

All of this is known as the disease of "inflationary psychology," which some analysts believe is as bad as inflation itself. Among other things, it is what makes stopping inflation, once it has started, so difficult.

The only known sure-fire way

When demand is slack and unemployment above normal, sellers have a harder time raising their prices and working men have a harder time winning large wage increases. No one doubts that there is some point of declining total demand that will stop inflation. In the Great Depression, prices actually went down.

The income tax surcharge, and the accompanying sharp limit on Federal Government spending, were designed to slow total demand. The results so far have been hardly visible

The Federal Reserve Board, which is supposed to have some control over the cost and availability of credit, simply has not curbed it, at least not yet. Last week, the Federal Reserve raised its discount rate—the interest rate at which it lends to banks—from 5¼ to 5½ per cent.

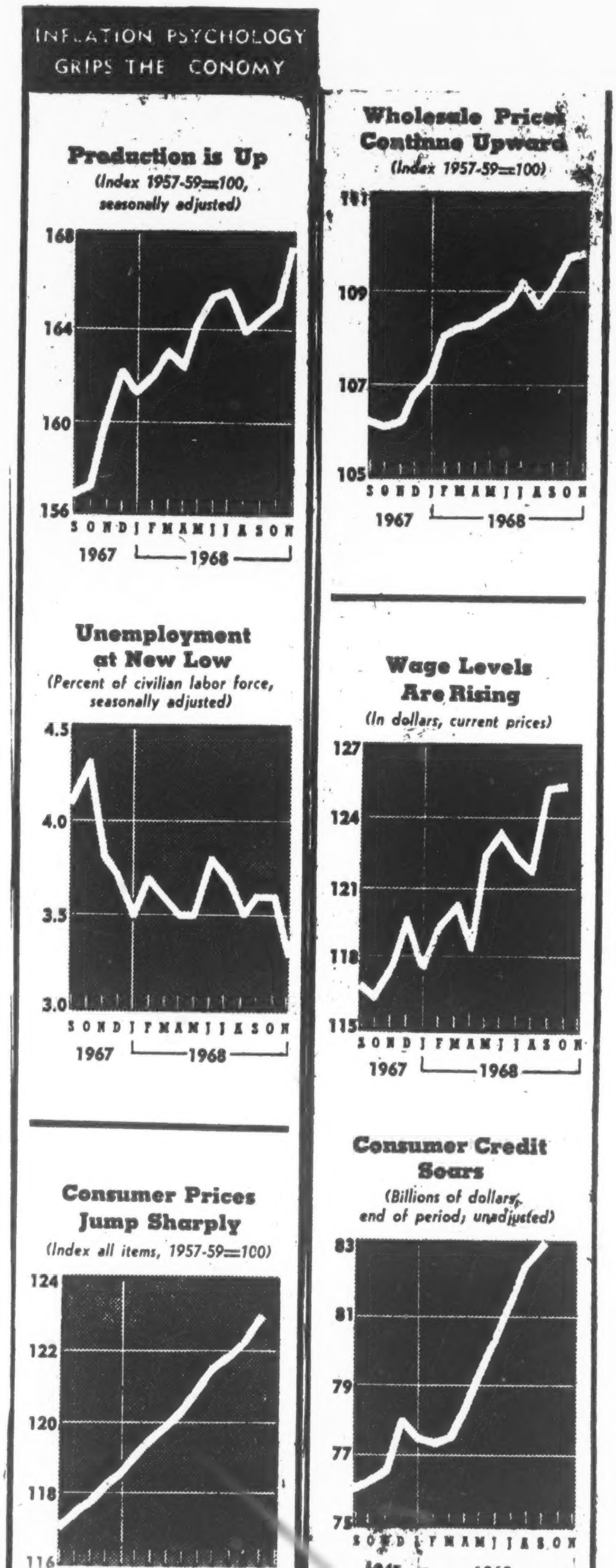
Moving at Last

But the Federal Reserve does show signs at last of moving toward restraining the total of available funds in the economy. This is being done through the powerful, but less widely known, tool called "open market operations" in which daily buying and selling of government securities directly influence through an intricate process the amount of money banks have available to lend and invest, The Federal Reserve is using yet another tool by limiting the ability of banks to acquire funds through maintenance of ceilings on the interest they can pay to large "savers" such as corporations with idle cash.

The tax bill was enough to bring the budget into balance, as President Johnson disclosed last week on the basis of updated estimates. Perhaps the move for next year should be to move the budget heavily into surplus, which would mean, at the least, continuation of the surcharge and some pruning of expenditure, including military expenditure.

Perhaps monetary policy will have to get even tougher but the price is almost bound to be the politically and socially difficult one of higher unemployment.

Despite the gingerliness of other Nixon advisers on this


INFLATION PSYCHOLOGY GRIPS THE ECONOMY

Production is Up

(Index 1957-59=100, seasonally adjusted)

Wholesale Prices Continue Upward

(Index 1957-59=100)

Unemployment at New Low

(Percent of civilian labor force, seasonally adjusted)

Wage Levels Are Rising

(In dollars, current prices)

Consumer Prices Jump Sharply

(Index all items, 1957-59=100)

Consumer Credit Soars

(Billions of dollars, end of period; unadjusted)

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Consumers are more difficult to assess with certainty, but it is clear that they are spending money hand over fist, regardless of a reduction in take-home pay from the 10 per cent income tax surcharge. To offset their drop in income they have greatly expanded their use of consumer credit for the last three months.

All of this is known as the disease of "inflationary psychology," which some analysts believe is as bad as inflation itself. Among other things, it is what makes stopping inflation, once it has started, so difficult.

The only known sure-fire way of stopping, or reducing, inflation is to slow total demand, or spending in the economy.

When demand is slack and unemployment above normal, sellers have a harder time raising their prices and working men have a harder time winning large wage increases. No one doubts that there is some point of declining total demand that will stop inflation. In the Great Depression, prices actually went down.

The income tax surcharge, and the accompanying sharp limit on Federal Government spending, were designed to slow total demand. The results so far have been hardly visible

The Federal Reserve Board, which is supposed to have some control over the cost and availability of credit, simply has not curbed it, at least not yet. Last week, the Federal Reserve raised its discount rate—the interest rate at which it lends to banks—from 5¼ to 5½ per cent.

Moving at Last

But the Federal Reserve does show signs at last of moving toward restraining the total of available funds in the economy. This is being done through the powerful, but less widely known, tool called "open market operations" in which daily buying and selling of government securities directly influence through an intricate process the amount of money banks have available to lend and invest, The Federal Reserve is using yet another tool by limiting the ability of banks to acquire funds through maintenance of ceilings on the interest they can pay to large "savers" such as corporations with idle cash.

The tax bill was enough to bring the budget into balance, as President Johnson disclosed last week on the basis of updated estimates. Perhaps the move for next year should be to move the budget heavily into surplus, which would mean, at the least, continuation of the surcharge and some pruning of expenditure, including military expenditure.

Perhaps monetary policy will have to get even tougher but the price is almost bound to be the politically and socially difficult one of higher unemployment.

Despite the gingerliness of other Nixon advisers on this point, Herbert Stein, named last week to the Council of Economic Advisers, said as much in an article written not long before his appointment.

"There will be an interval," wrote Mr. Stein, "during which unemployment will be higher if we reduce the inflation rate to 2 per cent rather than [illegible]tting it to continue at 4 per cent. [illegible] the unemployment rate will be still higher if we reduce the inflation rate to zero."

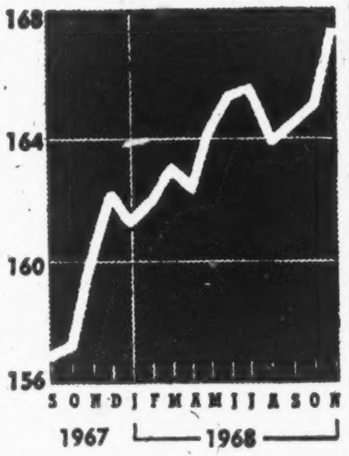
It's up to Mr. Nixon.

—EDWIN L. DALE JR.

GRIPS THE CONOMY

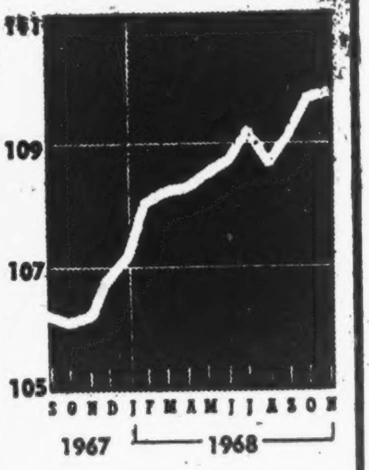
Production is Up

(Index 1957-59=100, seasonally adjusted)



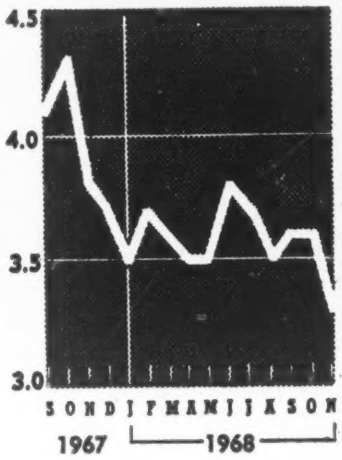
Wholesale Prices Continue Upward

(Index 1957-59=100)



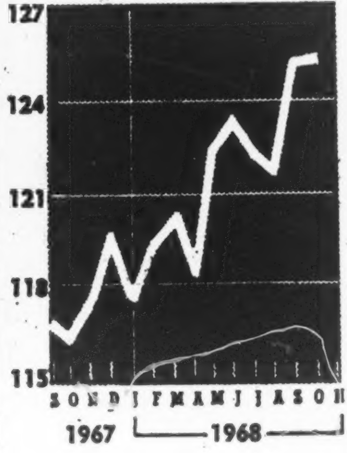
Unemployment at New Low

(Percent of civilian labor force, seasonally adjusted)



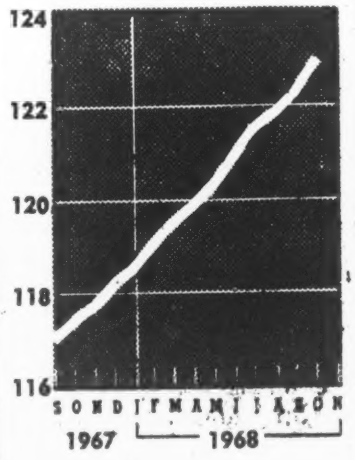
Wage Levels Are Rising

(In dollars, current prices)



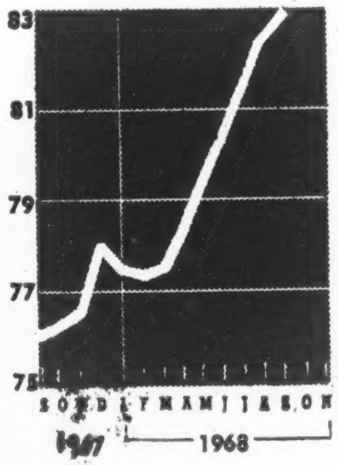
Consumer Prices Jump Sharply

(Index all items, 1957-59=100)



Consumer Credit Soars

(Billions of dollars, end of period; unadjusted)



(from New York Times)

**Recommended for Students Achieving Above Grade Level.

Questions for Inquiry and Discovery

1. What has been the reaction of consumers to increasing prices?
2. How have businesses reacted to the trend of the spiraling prices?
3. What effect have their actions had on the upward trend of prices?
4. How does an "inflationary psychology" affect our cost of living?
5. Can the individual do anything to combat inflation?

Follow-up Activities

1. Have students read the following New York Times article and study the graph.

n

Worker Makes More – And Just Stays Even

Worker
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tax and
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figures last week, is neither. This man is just about even with 1964 in terms of real wages although actually a bit behind where he was in 1965. (See chart.)

The Labor Department last week reported another dreary, and expected, increase in the consumer price index for August of four-tenths of 1 per cent, roughly in line with the average increase of five-tenths for the first eight months of the year.

As happens every month, the Labor Department also published its figures on "real spendable weekly earnings." They are not precise, but they give a good indication of what has happened to the income of "rank and file" workers after adjusting to changes in taxes (including Social Security taxes) and higher prices.

Using 1957-59 prices as a base, this "typical" worker had a real income of $77.30 at the end of 1964 and $78.77 last month, or a negligible weekly increase of a little more than $1.

Part of the reason is higher taxes. The income tax surcharge is still in effect, though it will go off next year. Another part, though minor, is higher Social Security taxes, which the worker will get back, and more, if he lives long enough to retire.

But the main reason is the current inflation — the fourth in the 25 years since World War II, interspersed with periods of price stability, some of them long. The present inflation began in late 1965, and it is still going. Three of the four inflationary periods (1945-47, 1950-53, 1955-57 and this one) were associated with war, the first one the aftermath of World War II as various controls, which could no longer work, were removed.

The figures on the typical worker with three dependents could be cited as the biggest anti-inflation argument of them all — and one that the present Administration will use if the current stern anti-inflationary fiscal and monetary policies succeed. For it is revealing what happened to his real wages when there was no inflation to speak of.

From the end of 1960 to the end of 1964, this worker's real wages — after adjusting for the small rise in prices in that period — rose from $70.70 to $77.30, an increase of close to 10 per cent. That, to repeat, was real. It compares with a negligible increase in the period since 1964. American involvement in Vietnam began in earnest in 1965.

The figures do not apply to everyone, of course. A union carpenter or plumber — or even a nonunion one — has done better. So have bankers, poor people, advertising executives, bartenders, doctors, salesmen, hospital janitors and company presidents. Some have done worse, including many retired persons.

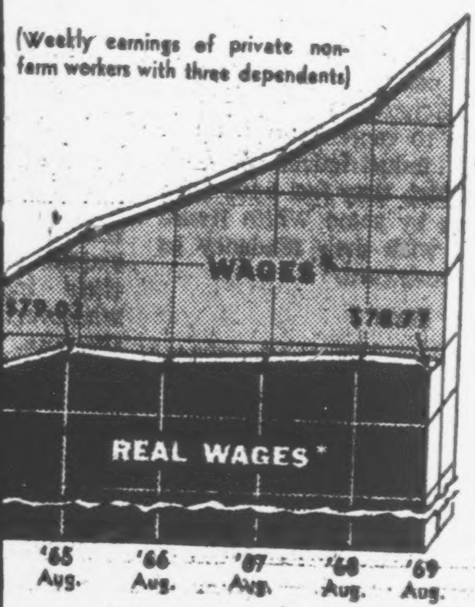
But the figures do show fairly well that this country is not much of a gainer from inflation, in terms of a real standard of living. The crucial point politically — if not socially — is that 96 out of every 100 persons in the labor force are working, and a very large number of them are treading water.

It has long been recognized that slowing the economy, the prerequisite for slowing inflation, will mean some rise in unemployment, though not necessarily a noticeable rise in the number of long-term unemployed, who are the important social problem. But it may be that a small rise in unemployment will not be anything like the political albatross to the Administration in power that it has always been thought.

For it is now [illegible] that for the vast bulk of [illegible] noninflation is best.

—EDWIN L. DA[illegible]

ation began in 1965 wages
up sharply but purchasing
actually declined



*After social security and tax deductions

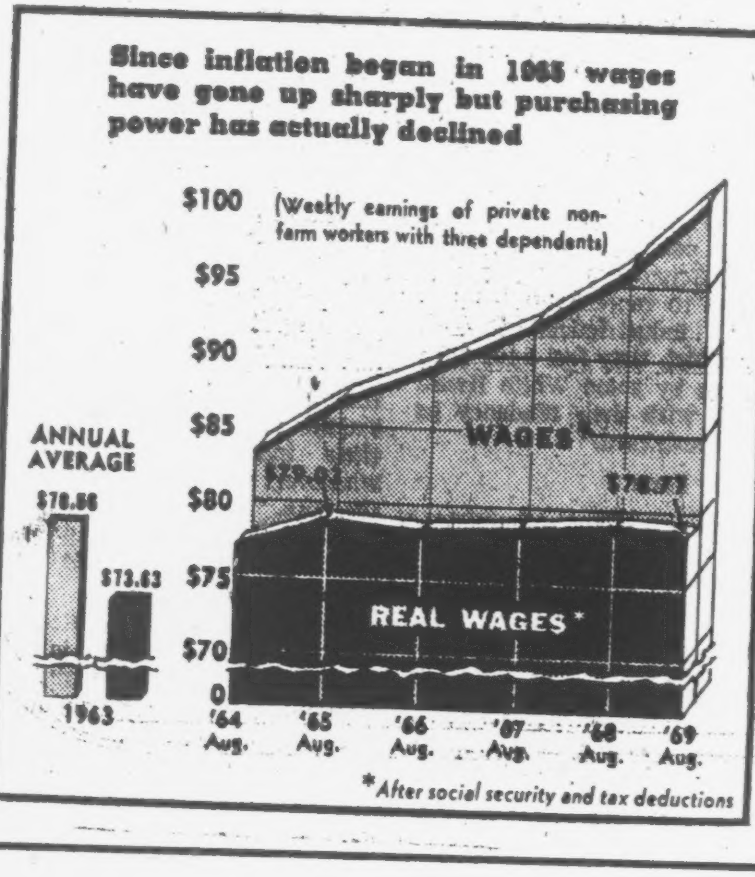
Inflation

The Worker Makes More - And Just Stays Even

WASHINGTON — Worker with a wife and two children, steadily employed. Weekly pay at the end of 1964, after withholding tax and social security, $84.10. Weekly pay last month, a record high of $101.38 (also after withholding tax and Social Security), up 21 per cent in five years.

Good or bad? The answer, as again revealed by the inflation figures last week, is neither. This man is just about even with 1964 in terms of real wages although actually a bit behind where he was in 1965. (See chart.)

The Labor Department last week reported another dreary, and expected, increase in the consumer price index for August of four-tenths of 1 per cent, roughly in line with the average increase of five-tenths for the first eight months of the year.


Since inflation began in 1965 wages have gone up sharply but purchasing power has actually declined

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Questions for Discussion

1. Why is inflation often called a "cruel tax?"

2. Why does inflation affect people in different ways?

3. How would you react to the statement that as long as you get pay increases, inflation can't hurt you?

4. Some economists feel that inflation redistributes income, i.e., from older to younger people. Would you agree? What evidence would you use?

   b. The following problems describe circumstances in which specific individuals find themselves under conditions of full employment. Analyze what is likely to happen to them.

      1. A young widow is living on a fixed pension. Her husband was killed in Viet Nam and she receives a pension of $550 a month from the United States government. She has no other income. Before her marriage she worked as a secretary. The price level goes up. What happens to her share of the G.N.P. pie?

      2. A 70-year-old widow is living on Social Security that she has received since her husband died ten years ago. This is her only income. She has never been employed outside her home. The price level goes up. What happens to her share of the G.N.P. pie?

      3. A school teacher is earning $6,000 a year. In order to get an increase in wages, the salary structure for all teachers must be studied by a committee appointed by the Board of Education. The recommendations of this committee will be presented to the full board at the annual meeting of the Board when its yearly budget is adopted. The general level of prices rises. What happens to this school teacher's share of the G.N.P. pie?

      4. A steelworker works for wages established by a contract negotiated for him by his union. His particular contract has a clause in it that states that every time the general level of prices rises 3%, his wages will be raised 3%. There is a 3% rise in the general level of prices. What happens to his share of the G.N.P. pie?

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      5. An automobile worker works for wages established by a contract negotiated for him by his union. His particular local is not too strong and because of other issues involved, they chose to negotiate at the local level. Their contract calls for a lower wage rate than that set by the international union and has no cost-of-living clause providing for increased wages to correspond to increases in the general price level. There is a 3% rise in the general level of prices. What happens to his share of the G.N.P. pie?

6. A plumber works for a strong local that anticipated that prices were going to rise and negotiated a contract in which a raise hike was provided in advance of raised prices. The general price level rises. What happens to his share of the G.N.P. pie?

7. An automobile company has been working at full capacity. Prices rise faster than its costs of production. It continues to produce at full capacity. The president of this company receives an annual bonus of 1% of the company's annual earnings. What happens to his share of the G.N.P. pie?

8. The president of this company owns 10,000 shares of the company's stock. The dividends paid on these shares of stocks depends upon the company's annual earnings. Prices rise faster than the costs of production. What happens to his share of the G.N.P. pie?

9. You worked last summer and earned $1,000. You put it in the bank. Now you would like to buy a car. The cost of cars has increased 10% since last summer. What has happened to your share of the G.N.P. pie?

10. Instead of putting the thousand dollars you earned in the bank last summer, you loaned it to your brother. He promises to pay it back this winter but now wants you to let him keep the money three years. In general, prices have been rising 5% per year. Are you going to let him keep the money?

On the basis of your answers to problems 1-8, make a one-sentence generalization on the following subject:

11. What groups of people are most likely to benefit from inflation? What groups are most likely to suffer?

c. Lesson Plan

Lesson: The Effects of Inflation

Aim: To understand the effects of inflation on various groups in our economy.

MOTIVATION:

In the 1920's it would have been a good idea, if you happened to be living in Germany, to take a wheel barrow with you when you went to the store to buy a bottle of milk.

1914
$1 = 23 Marks

1923

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1914
$1 = 23 Marks

1923
$1 = 4.2 Trillion Marks
4,200,000,000,000

What is such a period called?

Suppose you were living in Germany at this time, what problems would you expect to be facing?

In light of this, what might we study today?

How does inflation affect our economy?

PRESENTATION:

Based on your experience, what has happened to the value of your money during the past years?

Use data available in preceding charts and graphs.

Suppose we wanted proof, where might we turn?

Consumer Price Index

Explain figure.

In 1940 Mr. Jones had $900; he could have bought a Chevvy, but put it in the bank instead and received $1500 in 1960. "Wonderful," thought Jones. "I've made $600". Do you support Mr. Jones' elation?

Suppose you were the bank owner, would you agree this is wonderful?

What is the relationship of the banker to the depositor?

Debtor - Creditor

MEDIAL SUMMARY:

Based on this, what would be the attitude of debtors and creditors toward inflation?

OR

In the 1890's, the farmers favored a policy of inflation. Why?

PRESENTATION:

Others are affected by inflation too.

How would inflation affect you if you were one of the people indicated (by rows)? Why?

I. Pensioner
II. Borrower to start business
III. Civil servant
IV. Real estate broker

Which groups seem to have interests in common?

Fixed incomes
Variable incomes

Suppose the cost of living rose 25% during a 10-year period. During this same time a family's income rose from $5000 to $6000. What has probably happened to their living standards? (Other things equal)

$4000 to $6000?

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SUMMARY AND APPLICATION:

1. You people will be entering the business world soon. What type of period would you like to see most at that time? Gradual deflation? Stable economy? Gradual inflation?
2. The Employment Act of 1946 calls for full employment and economic stability. Can we have both?
3. What groups of workers may have the most financial problems during a period of inflation? Least? Why?

*A role playing situation can be set up to dramatize the problems of inflation. Four students, representing the four types of individuals in the above lesson plan arrive at a desk in a bank discussing the need for a loan during this inflationary period.

1. Which person is getting a loan with little difficulty? Why?

2. Which person seems to have difficulty in getting a loan? Why?

3. Has the bank refused a loan to anyone? What reasons did they give? Were they justified?

**d. Students can compare our current period of inflation with other periods of inflation experienced since World War II. Have student committees cover the four periods since the war, presenting reports in the charts to the class.

Comparisons can also be made with inflationary periods experienced by other nations of the world, i.e., Germany, France, Brazil, Japan.

IV. HOW HAS THE FEDERAL GOVERNMENT USED FISCAL AND MONETARY POLICY TO TRY TO STABILIZE OUR ECONOMY?

Emphases

The major power of our money supply is credit.

Many drawbacks to fiscal and monetary policy have made their use only partially effective.

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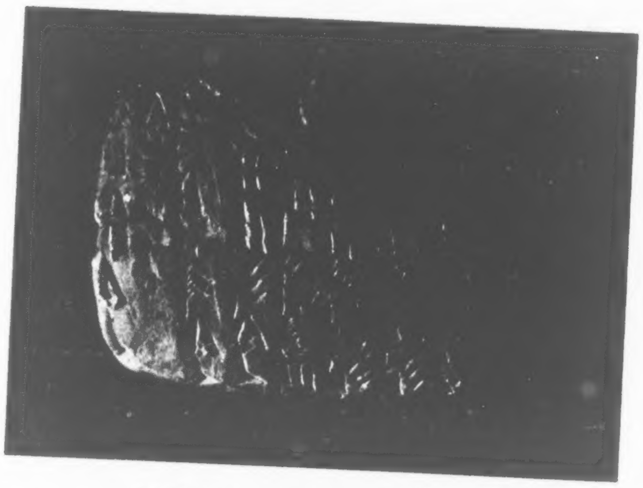
*A. Using pictures to learn about money.

VARIETIES OF MONEY



BABYLONIAN CLAY DUE BILL

CHINESE TAO

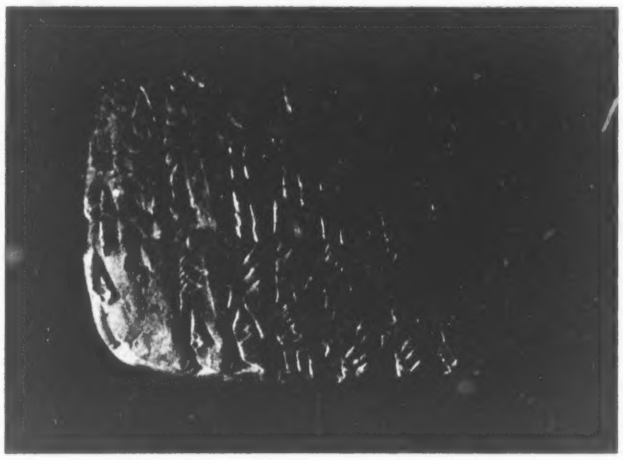
STONE MONEY OF YAP

DECADRACHM OF SYRACUSE

Many different kinds of objects can be used to provide the three basic functions of money—as a unit of account, a medium of exchange, and a store of value. On these two pages, we see varieties of money that have been used from ancient Babylonia to Germany in 1923. Obviously, some types of money were much more convenient than others; the stone money of Yap, for instance, could never serve in a complex economy. The elephant tail bristles of Portuguese West Africa and the canine teeth of the Solomon Islands could not permit much increase in the money supply. On the other hand, simple coins—which have scarcely changed from ancient Greece to modern times—were marvelously convenient and (by changing the value upon them) infinitely expandible—as the German one-billion mark coin indicates. The world was rather slow in recognizing that units of money did not have to have any inherent value (as do the silver pieces of eight or bronze bells of Rhodesia) in order to satisfy all the functions of money.

All Photos Courtesy The Chase Manhattan Bank Money Museum

VARIETIES OF MONEY



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All Photos Courtesy The Chase Manhattan Bank Money Museum

(From The World of Economics. Silk and Saunders, McGraw Hill, 1969)

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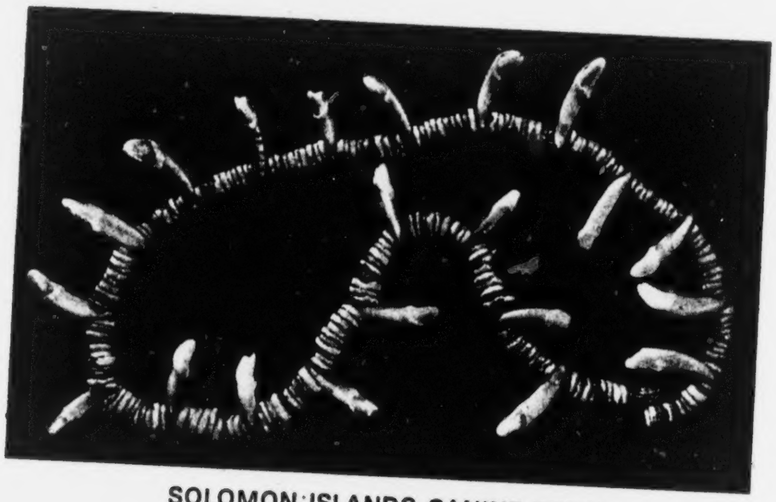
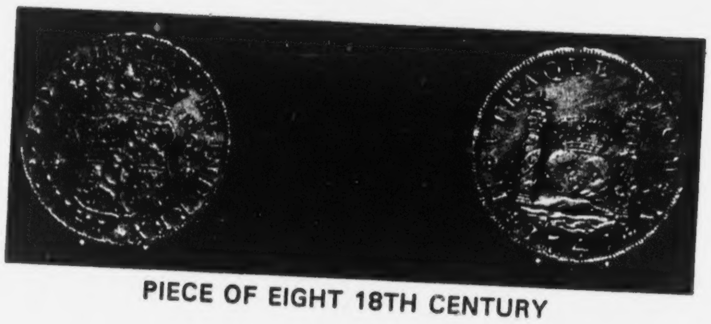


SOLOMON ISLANDS CANINE TEETH

ELEPHANT TAIL BRISTLES

BRONZE BELL OF RHODESIA 19TH CENTURY

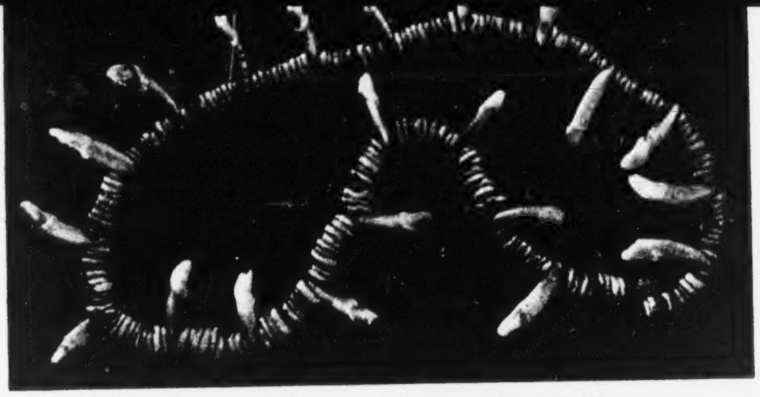


PIECE OF EIGHT 18TH CENTURY

GERMAN ONE BILLION MARK—1923

All Photos Courtesy The Chase Manhattan Bank Money Museum

ELEPHANT TAIL BRISTLES



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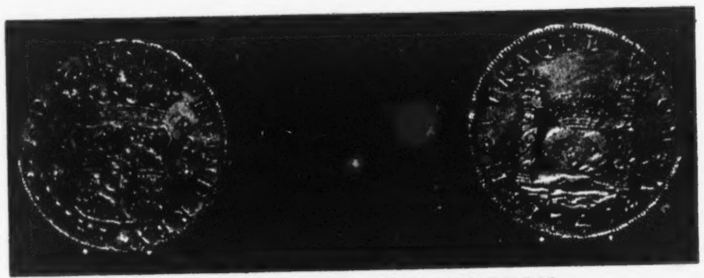

PIECE OF EIGHT 18TH CENTURY

BRONZE BELL OF RHODESIA 19TH CENTURY

GERMAN ONE BILLION MARK—1923

All Photos Courtesy The Chase Manhattan Bank Money Museum

Questions for Inquiry and Discovery

1. Which type of money would be most convenient to use? Why?
2. Why are dog teeth considered as money in the Solomon Islands?
3. Why would people accept these teeth for other goods and services?
4. What is money?

Follow-up Activities

*1. Class can visit the Chase Manhattan Bank Money Museum (1254 Sixth Avenue, New York City) to see the various types of money used throughout history.

**2. Students can read and report to class on the role of money and banking in the American economy. Some books that can be used are:

Waage, Money Master or Servant, Federal Reserve Bank of New York, 1967.

Bernstein, A Primer on Money, Banking and Gold, Random House, 1965.

Duesenberry, Money and Credit, Prentice-Hall, 1964.

B. Using fiction to learn about the function of money.

Teachers can use the following selection of an imaginary situation to introduce the idea of a money economy and the effect of money on an economy.

THE MAGIC OF MONEY

In the misty dawn of history, the stone age inhabitants of a pleasant little island in an inland sea decided to abandon "the law of fang and claw" to bring greater abundance to their fellow cave men through mutual cooperation. Life on the island was idyllic until Shem, who skillfully hollowed out log boats, agreed to make a boat for Truk, if the latter, who was known for the quality of his sharp stone axes, would provide the axes for the job and an ax or two to spare.

When Truk and Shem introduced specialization, customary ways of making things on the island changed rapidly. Some natives began to specialize in the preserving of meats and fish; others in dressing skins and in fashioning bows, arrows, and fishbooks. The islanders not only increased the output and quality of the things that they had always produced, but now they also used scarce resources for making such luxuries as braided bracelets, bone combs, and shell necklaces. As a result of this primitive "industrial revolution," a primeval cave economy emerged.

While specialization brought speedier production, a greater abundance of goods and services, and rising living standards, it also created economic problems for the island. Shem could not always trade boats for the things he needed. Fishhooks, arrows and stone axes seemed to be in oversupply. Quarrels arose over the relative value of goods. People argued about how many skins were needed in exchange for a boat. If an the various types of money used throughout history.

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While specialization brought speedier production, a greater abundance of goods and services, and rising living standards, it also created economic problems for the island. Shem could not always trade boats for the things he needed. Fishhooks, arrows and stone axes seemed to be in oversupply. Quarrels arose over the relative value of goods. People argued about how many skins were needed in exchange for a boat. If an item was of small value, like a mess of fish, how was the owner of a skin going to "pay" for it? If he cut the skin into bits and pieces, he destroyed the value of his commodity. Rarely did two people have that "coincidence of wants" so necessary for barter, the direct exchange of one product for another. Each trade was a special bargain. Precious time and effort was wasted trading and retrading until each party finally got what he really wanted. This time could have been

*Recommended for Students Achieving Below Grade Level.
**Recommended for Students Achieving Above Grade Level.

better spent producing additional goods and services.

While he was watching haggling going on in the market place over the "price" or terms of the exchange, Krag, the primitive doctor, had a brilliant idea. He thought about the beautiful scalloped white shells that the tide sometimes washed up on the beach. A fortunate few had shells for personal adornment and for decoration. There never seemed to be enough of them to satisfy the demand of all the islanders. Since these scarce shells were easily recognizable and generally acceptable in payment for goods and services, Krag suggested that white shells serve as a medium of exchange. When his suggestion was adopted, the cave economy became a money economy.

Aside from the Chief, Krag was the most respected man on the island. He lived with his family in his own spacious cave safe from marauding beasts and men. Before long some islanders began depositing the shells that they had saved with Krag for safekeeping. When emergencies requiring "money" arose, others came to the doctor to borrow shells. Usually he loaned his own shells, but, when he observed that depositors rarely came to pick up their shells, he began to lend some of their shells too. Krag also began to charge an extra shell or two as interest. He even stamped his magic mark on strips of leather to represent the shells that the natives found a burden to carry about with them, and shortly thereafter these leather strips became as generally acceptable among islanders as the shells themselves.

The island's economy functioned smoothly until a terrifying winter storm at sea washed up thousands of shells on the island's shores. In no time almost everyone possessed more shells than ever before. Some people began to spend their shells faster than the goods they wanted could be produced. Prices rose. In a short while, there were so many shells in circulation that they could not buy much. Furthermore, many cave men discovered that their shell incomes did not rise as fast as the current rise in prices and so their real incomes (the things which they could buy with their shells) dropped. The widow Moog, whose husband had amassed an ample supply of shells before he died, found, for example that the buying power of her wealth was rapidly dwindling. Would neighboring islands still accept white shells to settle inter-island trade balances if shells continued to depreciate in value? The Chief consulted his Council of Wise Men who decided that "too many shells were chasing scarce goods." The condition had to be remedied, they said, before inflation ruined the island's economy.

(Our Money Economy, Edward C. Prehn, First National City Bank)

Questions for Inquiry and Di

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Questions for Inquiry and Discovery

1. Why did Truk and Shem exchange goods?

2. What did each gain through barter?

3. Why did barter become inconvenient?

4. Why did Krag choose white shells as an exchange medium (money)?

5. What problems did it solve?
6. What was the effect of having too many shells available?
7. What purpose was served when Krag created leather strips to represent the shells he held for safekeeping?

Questions for Discussion

1. Why is a money system necessary for a growing economy?
2. Why are checks considered as money in our economy?
3. Why can't "Uncle Sam" give us all lots of paper dollars?
4. If the inhabitants of the island above decided to change their monetary system, what suggestions would you propose? What features of their system would you keep? Why?

C. Using the chalkboard to illustrate how demand deposits are created by the commercial banking system. (Teachers may wish to rexograph the materials below and distribute them to students. The lesson can be developed from the material below).

A simplified system of money expansion can be illustrated by the following example. For this example three assumptions, that will be broken down later, should be made:

1. 20% of all money must remain in the banking system.
2. Money never leaves the banking system.
3. Banks will lend all that is available and people will borrow what is made available to them.

A $1,000 deposit followed by the three steps above will result in the following:

Alpha Bank

Assets		Liabilities	
Cash and Reserves	$200.	Demand deposits	$1000.
Loans	800.		

The $800 loan remains in the system as money borrowed in the form of a checking account and thus an expansion through several loans would look like this:

Beta Bank

Assets		Liabilities	
Cash & Reserves	$160	Demand deposits	$800
Loans	640		

Gamma Bank

Assets		Liabilities	
Cash & Reserves	$128	Demand deposits	$640
Loans	512		

If we were to continue the expansion and total all cash, loans and demand deposits we would find:

Cash - $1000

Loans - $4000

Demand Deposits - $5000

Thus is illustrated the ability of the commercial banking system to expand our money supply through loans and the creation of demand deposits.

A breakdown or charge in any or all of the assumptions will change the final figures but will not change the conclusion that the banking system can and does expand our money supply.

Questions for Inquiry and Discovery

1. What is money?
2. Why are demand deposits part of our money supply?
3. Why do loans add to our money supply?
4. How does the commercial banking system create money?

Questions for Discussion

1. How can a change to 10% in our first assumption affect our money supply?
2. How can changes in the other two assumptions affect our example?
3. How can the creation of too many loans affect our economy? Too few loans?
4. How is the money supply related to the fluctuations in our economy?

Follow-up Activities

1. Students can read Keeping Our Money Healthy, a free pamphlet available from the Federal Reserve Bank of New York to see how money is created and its effect on our economy. A lesson on monetary policy can be structured around the example on p. 14.
    a. What is the effect of people buying all that is produced? Buying less than is produced? Offering to buy more than is produced?
    b. How can the money supply affect this balance?
    c. How can the FED use its power over bank reserve requirements to control our money supply? Why would

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    b. How can the money supply affect this balance?
    c. How can the FED use its power over bank reserve requirements to control our money supply? Why would the FED want to increase the reserve requirements?
    d. What effect does a change in the discount rate have on the cost of credit to borrowers? How does it affect our money supply?
    e. What are open market operations? How are they employed to control the money supply?
    f. What is the function of the Federal Reserve System?
2. A trip to the Federal Reserve Bank of New York can be arranged for high school seniors in groups of about 30-33. A lecture and tour can be arranged well in advance by contacting the Education Department of the bank.

    Several useful films are also available from this bank.

*3. A local banker can be invited in to discuss such questions as:

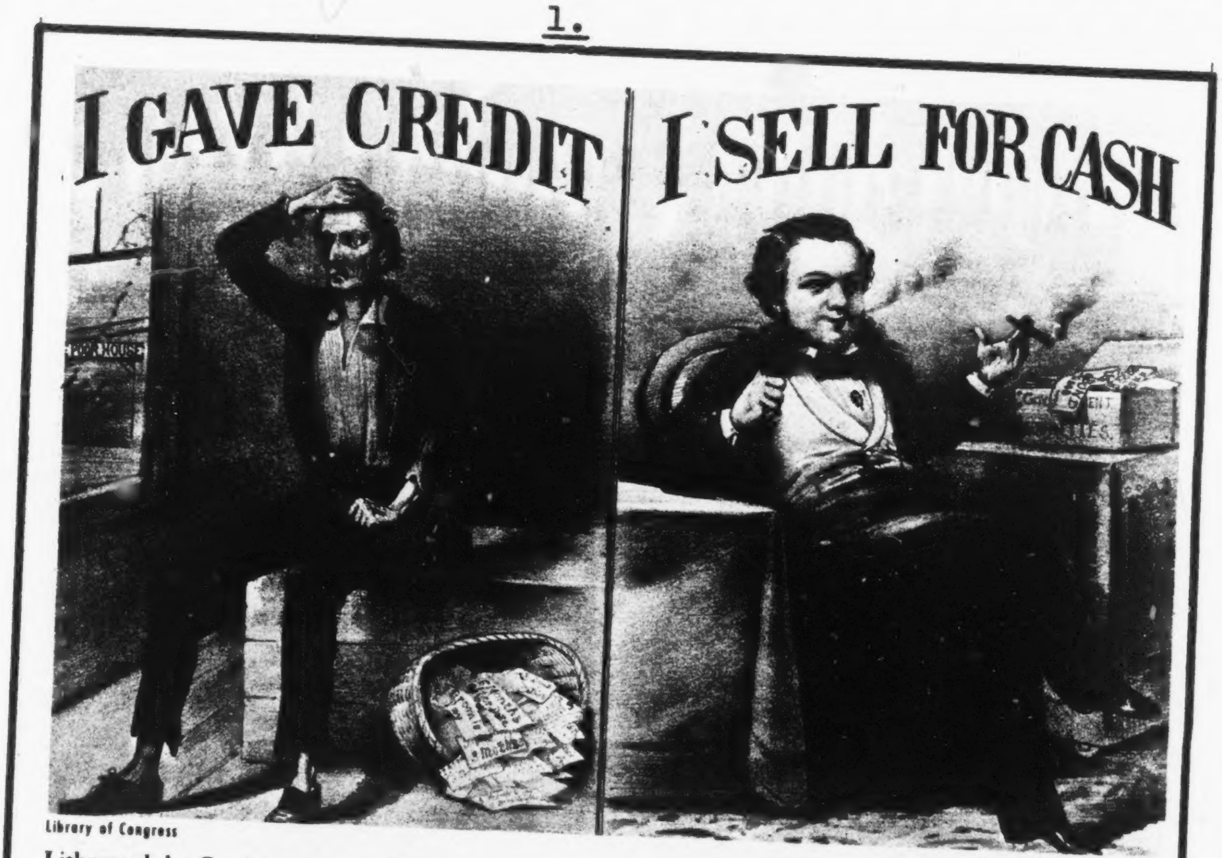
- What are the specific jobs in a bank?
- How does one qualify for these jobs?
- What sorts of investments do banks make?
- What controls does the government have over banks?
- On what basis are loans granted or denied?
- How to get a loan?

The talk can be illustrated with samples of bank forms, such as loan applications, deposit and withdrawal forms, bank literature on automobile loans and Christmas Clubs, etc.

The visit can be followed up with a visit to a local bank.

*4. Our credit-oriented economy can be introduced with the cartoons below.

1.



Library of Congress

Lithograph by Currier and Ives, 1870

(Source: The Annals of American History, 1969)

2.

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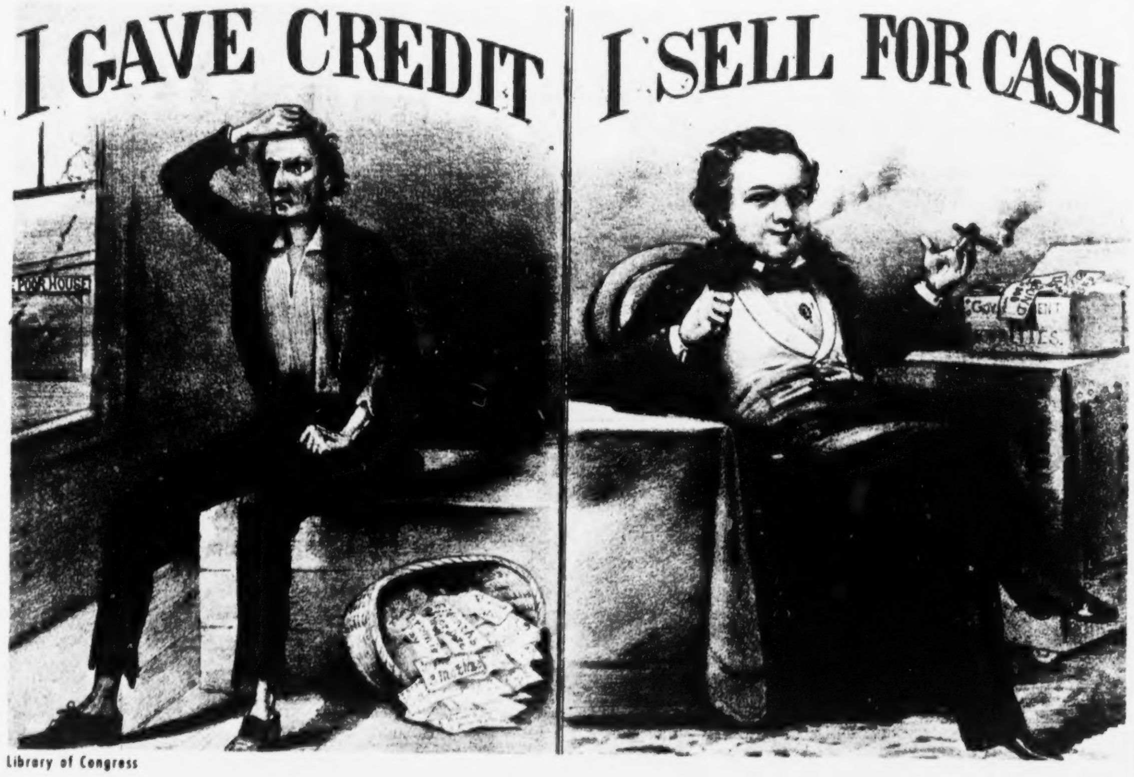
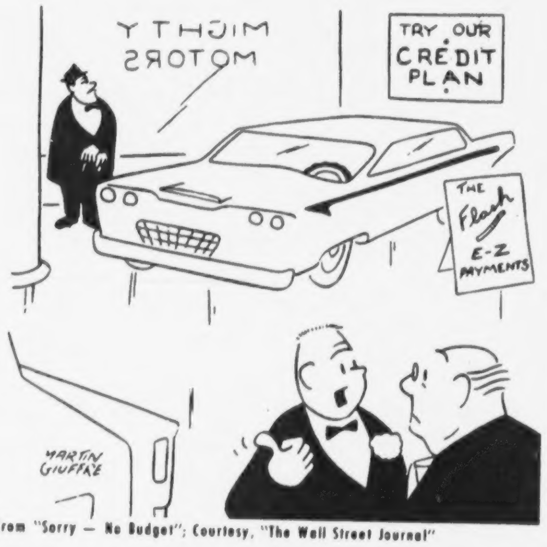

I GAVE CREDIT
I SELL FOR CASH
POOR HOUSE

Library of Congress

Lithograph by Currier and Ives, 1870

(Source: The Annals of American History, 1969)

2.


MIGHTY MOTORS
TRY OUR CREDIT PLAN
THE Flash E-Z PAYMENTS
MARTIN GIUFFRE

From "Sorry — No Budget"; Courtesy, "The Wall Street Journal"

"How do I go about this? He wants to pay cash"

*Recommended for Students Achieving Below Grade Level.

Questions for Inquiry and Discovery

a. What is the attitude of cartoonist #1 toward buying and selling on credit?

b. What is the attitude expressed in cartoon #2?

c. Why has there been a change from a cash economy to a credit economy?

d. How has this change affected the health of our economy?

Students can find out about the various types of credit, such as mortgages, car loans, installment buying, charge-account credit, etc.

Materials are available from The New York City Department of Consumer Affairs.

A valuable pamphlet issued by The New York State Banking Department is Buying on Time?, a Consumer Credit Guide.

*5. Students can get up a bulletin board display of various types of credit forms. Forms from finance,companies, banks and credit unions illustrating current changes and repayment plans can be studied. Students can determine the effective interest rates and best credit value.

*6. Use the pamphlet Know Your Rights (State of New York Banking Department, 100 Church Street, New York, New York)

Students can discuss installment buying and revolving credit in terms of cost and cautions.

7. Students can debate the question "Should all consumers have credit?

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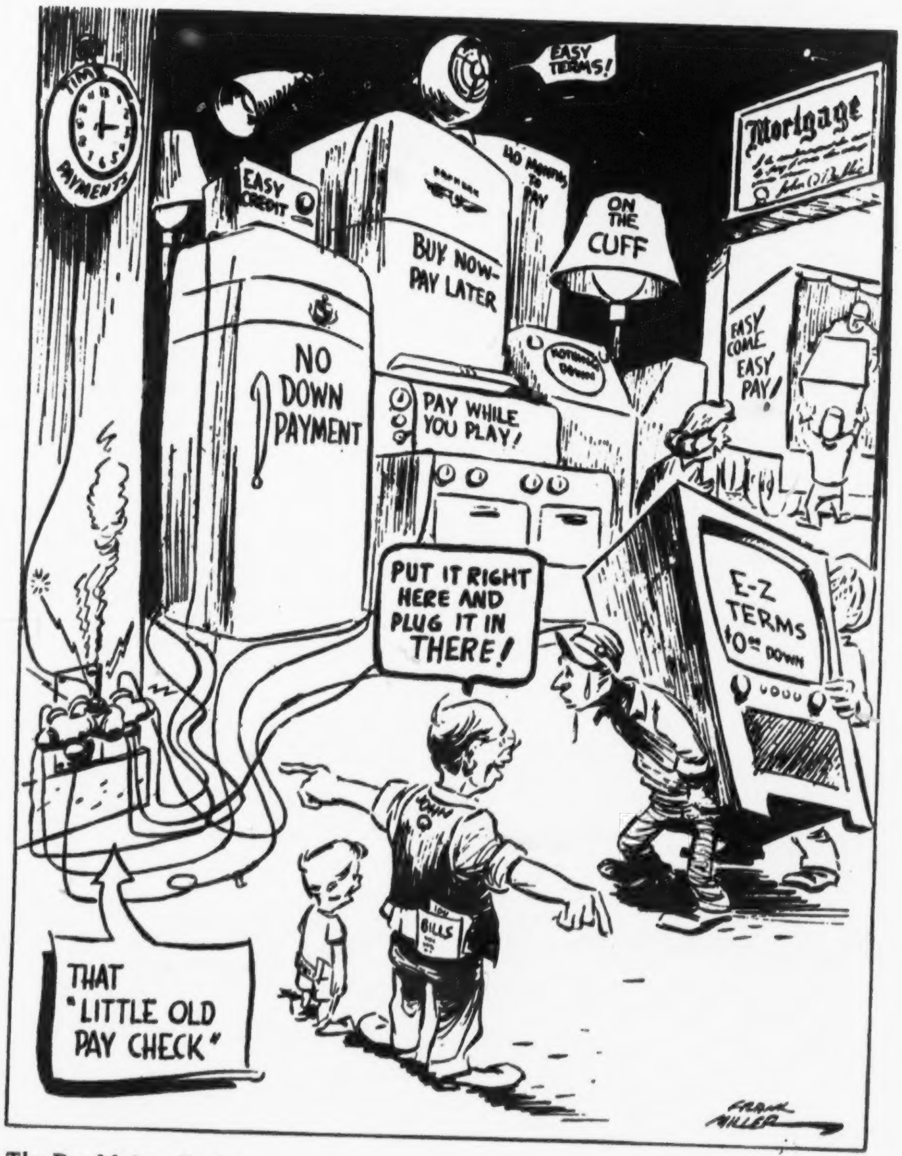
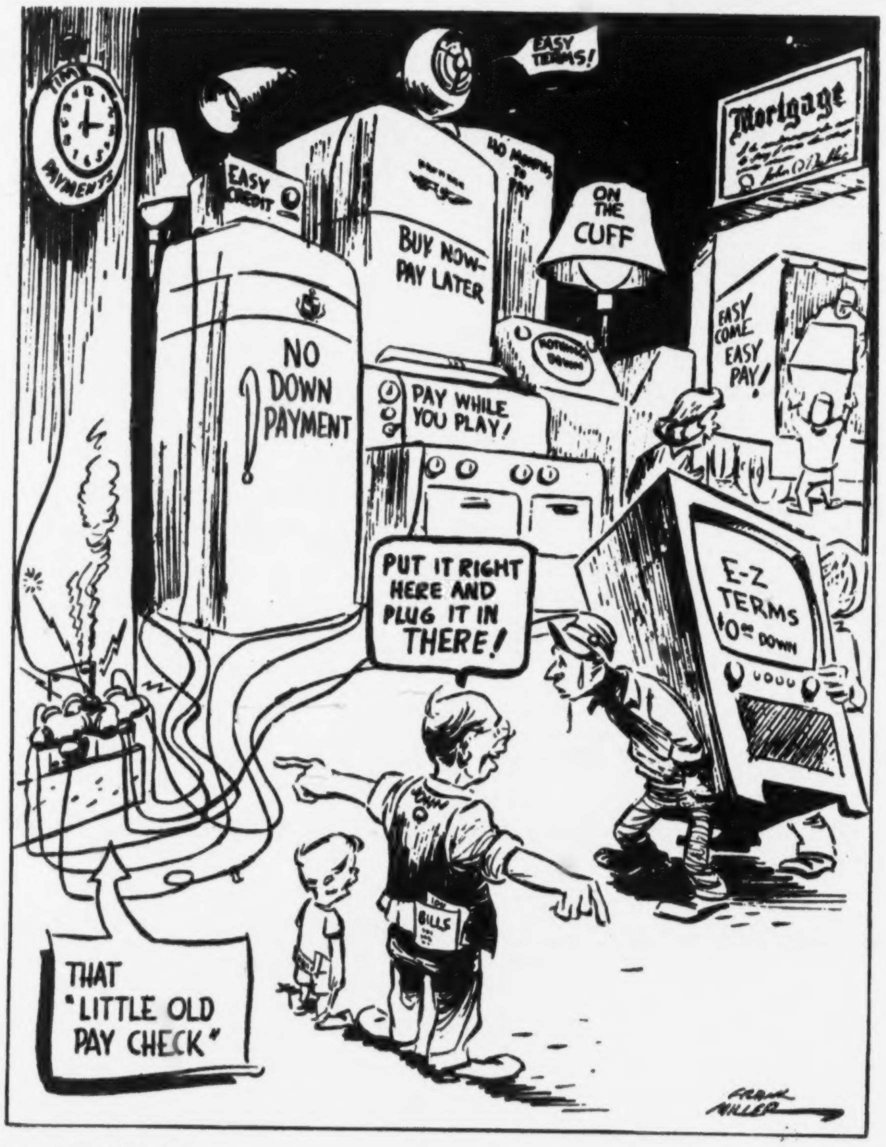
*8. Use the cartoon below to develop an understanding of the advantages and dangers of credit buying.

I


TIME PAYMENTS
EASY TERMS!
Mortgage
EASY CREDIT
40 MONTHS TO PAY
BUY NOW-PAY LATER
ON THE CUFF
NO DOWN PAYMENT
NOTHING DOWN
PAY WHILE YOU PLAY!
EASY COME EASY PAY!
PUT IT RIGHT HERE AND PLUG IT IN THERE!
E-Z TERMS $0.00 DOWN
JOHN Q
BILLS
THAT "LITTLE OLD PAY CHECK"
FRANK MILLER

The Des Moines Register

1. What do these terms mean: time payments, mortgage, loan payment?
2. What has John Q gained as a result of buying on credit?
3. What problems seem to be developing for John Q?
4. How should John Q protect himself from these changes?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*9. Have the class read and discuss the following selection and the suggested questions:

HENRY GREEN BUYS A TELEVISION SET

Henry Green wanted to buy a television set. He visited a store and picked out the model he wanted. The salesman said that the price was $200. Henry didn't have that much money but the salesman said that he could buy that set on the installment plan.

The salesman stated that Henry could pay for the set while he used it. Mr. Green paid the salesman $10. Then the salesman filled out a paper with many numbers on it. Henry quickly signed it and was told that the set would be delivered after the store had a chance to check on him.

In a week the set was delivered. Henry began to make payments every month by sending a check to the finance company. One day, at work, Henry brok his back. Because of doctor bills and the loss of his income, he couldn't make his monthly payments. In addition, he was paying for his car and a washing machine on time payments. A man called and told Mr. Green that he would repossess the television set if Henry didn't pay. Henry borrowed money from a friend to make his payment on the set. The next week Henry returned to work.

When the year had ended, Henry figured out that he had paid $220. He called up the television salesman and said, "You're a crook. You said the set was only $200. I want the extra $20 back."

Questions for Inquiry and Discovery

1. What do we call the $10 that Henry paid when he ordered the set?
2. What do we call the paper that Henry signed?
3. Why do you think Henry made a mistake at the television store?
4. Why did the salesman say the store wanted to check on Henry?
5. What did the man mean when he said he would repossess the set?
6. What do you think the salesman told Henry on the telephone about the $20?
7. Do you think Henry was a wise consumer? Explain your answer.

D. Using a case study of the 1960's to understand the application of fiscal and monetary policy.

1. The following historical document can be duplicated to help students learn about the federal government's role in our economy.

THE EMPLOYMENT ACT OF 1946 (Abridged)

Declaration of Policy -

> The Congress hereby declares that it is the continuing policy and responsibility of the federal government to use all practicable means.... to ... utilize all its ... resources for the purpose of creating and maintaining ... conditions under which there will be afforded useful employment opportunities ... for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power.

Economic Report of the President -

> The President shall transmit to the Congress ... an economic report setting forth (1) the levels of employment, production, and purchasing power ... in the United States and such levels needed to carry out the policy (above); (2) current and forseeable trends in the levels of employment, production, and purchasing power; (3) a review of the economic program of the federal government and a review of economic conditions affecting employment in the United States ... ; and (4) a program for carrying out the policy declard (above), together with such recommendations for legislation as he may deem necessary or desirable....

Council of Economic Advisers to the President -

> The Council shall be composed of three members who shall be appointed by the President ... (who shall) ... formulate and recommend national economic policy to promote employment, production, and purchasing power under free competitive enterprise....

Questions for Inquiry and Discovery

1. What major economic goals does this law establish?
2. What powers are given to the federal government in order to carry out these goals?
3. What problems does the fulfillment of these goals present?
4. What should be the major objective of economic policy? Why?

2. Have students read the following New York Times articles.

FILMED FROM BEST AVAILABLE COPY

Inflation and Vietnam

Most Observers Believe U.S. Policies On Financing Conflict Caused Upsurge

By EDWIN L. DALE Jr.

Special to The New York Times

WASHINGTON, June 24 — Unless both economic theory and economic history are wrong, the explanation for the current inflation in the United States lies mainly in the actions of government, not of business or labor or any other private force.

News Analysis

Only the Government can create money. Only the Government can run mammoth deficits in its budget. Too much of each since late 1965, shortly after the heavy involvement in Vietnam began, started the current inflationary trend—the fourth inflationary spurt in the United [illegible] in the post-World War [illegible].

[illegible]ough many citizens are [illegible]rently not aware of the [illegible] the nation can have, and [illegible] had, long stretches of rela[illegible]y stable prices in the mod[illegible] era, as in the period 1958-[illegible] when consumer prices were [illegible]g on the average only 1.3 [illegible] cent a year. This con[illegible]s with a sharp rise since [illegible] soaring to an annual rate [illegible] per cent in the last three [illegible]hs.

What Went Wrong?

What went wrong? The an[illegible], it is almost universally a[illegible]d, is the war in Vietnam and the early decisions of the Government on financing, or [illegible]financing, it.

These decisions greatly affected the Government's fiscal policy (the budget; taxing and spending; the deficit or surplus) and indirectly affected [illegible] monetary policy (money and credit). These two major weapons, fiscal policy and monetary policy, have a powerful influ[illegible] on total spending, or demand, in the economy.

When the Government allows spending to grow too rapidly through overexpansionary fiscal and monetary policy, prices start rising—whether in the United States or in Brazil. Some prices rise more than others, but the averages go up.

When there is plenty of spending money around, sellers find it easier to raise prices. When jobs are plentiful, thanks to heavy spending and robust production, labor finds it easier to push up wages.

The process started in the winter of 1965-66 with the decisions being made in Washington.

In the budget he submitted to Congress in January, 1966, former President Johnson estimated the cost of the war at $10-billion more than estimated. Yet the President still declined to ask for a tax increase, though his Council of Economic Advisers recommended it.

The President concluded that Congress would not support such a request. But in testing Congressional sentiment, it has since become known, he failed to point out that the war was costing much more than estimated, with the result of throwing the budget into a deficit.

As it turned out, the war in that fiscal year cost $20-billion, instead of the estimated $10-billion, and the budget for the fiscal year wound up in a deficit of $9-billion. Then, when a tax increase was finally requested in August, 1967, Congress delayed it for nearly a year and the deficit in the fiscal year was $25-billion.

A big budget deficit means the Government is pumping more spending power into the economy than it is taking out. But equally important, the deficit greatly complicates matters for monetary policy.

When there is a big budget deficit, the Treasury must borrow to make up the difference between receipts and expenditures. It floats loans from time to time.

When it does so, the Federal Reserve, the nation's central bank, generally tries to "stabilize" the money markets by buying Government securities—creating bank reserves—in larger quantities than it would ordinarily consider wise, partly to enable the banks to buy up a portion of the Treasury security issue.

This process of Federal Reserve purchases of Government securities, through a complex chain of events, adds to the amount of money and credit available in the economy. Total borrowing and spending increase.

That is how an inflationary fiscal policy contributes to an inflationary monetary policy.

$12-Billion a Quarter

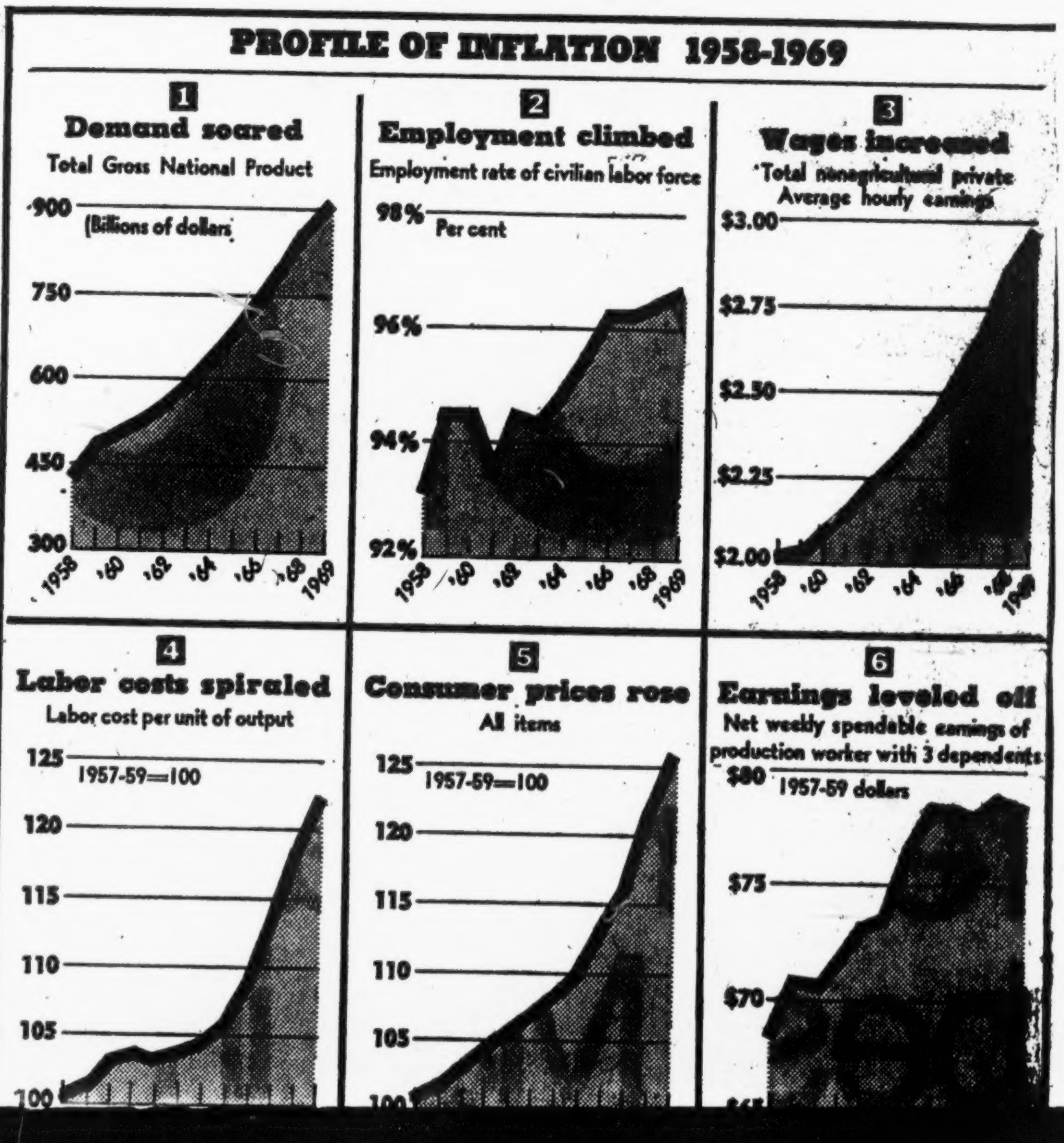
There is a widespread belief that in the period since late 1965, monetary policy most of the time has been too expansionary—permitting a too rapid increase in money and credit, and hence spending—partly because of the problem created by the budget deficit and partly because of some bad judgment by the Federal Reserve itself, which has since been admitted.

Total spending in the American economy was grow[illegible] about $12-billion a qua[illegible] the period before Vietnam. [illegible] the first half of 1968, it was growing by more than $20-billion a quarter. That is why there is inflation.

The rise in prices began to be noticeable at the consumer level toward the end of 1965. It got worse through 1966, slowed in the first half of 1967 and accelerated again [illegible] 1967, through 1968 and [illegible] 1969.

Once the inflation [illegible]e out," private forces cam[illegible] play, in the process kn[illegible] the "wage-price spiral[illegible] demanded and won la[illegible] increases, partly on [illegible] of the need to cover ris[illegible] prices; business costs of [illegible] kinds began to rise.

These private cost [illegible] will continue to operate [illegible] that Government fiscal [illegible] monetary policy are [illegible] pulling together in the [illegible]tion of restraint. So no one [illegible]pects the rate of infla[illegible] slow rapidly—even though total demand is now [illegible] control.



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[illegible]ese decisions greatly af[illegible]ed the Government's fiscal [illegible]cy (the budget; taxing and [illegible]ending; the deficit or sur[illegible] and indirectly affected [illegible]onetary policy (money and [illegible]dit). These two major weap[illegible]ns, fiscal policy and monetary [illegible]y, have a powerful influ[illegible] on total spending, or de[illegible]nd, in the economy.

When the Government al[illegible]ows spending to grow too [illegible]apidly through overexpansion[illegible]ry fiscal and monetary policy, [illegible]ices start rising—whether in [illegible] United States or in Brazil. Some prices rise more than others, but the averages go up.

When there is plenty of spending money around, sellers find it easier to raise prices. When jobs are plentiful, thanks to heavy spending and robust production, labor finds it easier to push up wages.

The process started in the winter of 1965-66 with the decisions being made in Washington.

In the budget he submitted to Congress in January, 1966, former President Johnson estimated the cost of the war at $10-billion for fiscal year 1967. On that basis, he recommended no tax increase because the general growth of revenues would nearly cover the cost.

The $10-billion figure had been worked out by former Defense Secretary Robert S. McNamara on the assumption that the war would end by mid-1967.

Cost Estimate Raised

By the spring of 1966, Mr. McNamara had changed his assumptions and informed the President that the war would cost between $5-billion and

Congress would not support such a request. But in testing Congressional sentiment, it has since become known, he failed to point out that the war was costing much more than estimated, with the result of throwing the budget into a deficit.

As it turned out, the war in that fiscal year cost $20-billion, instead of the estimated $10-billion, and the budget for the fiscal year wound up in a deficit of $9-billion. Then, when a tax increase was finally requested in August, 1967, Congress delayed it for nearly a year and the deficit in the fiscal year was $25-billion.

A big budget deficit means the Government is pumping more spending power into the

[illegible] of the Treasury security issue.

This process of Federal Reserve purchases of Government securities, through a complex chain of events, adds to the amount of money and credit available in the economy. Total borrowing and spending increase.

That is how an inflationary fiscal policy contributes to an inflationary monetary policy.

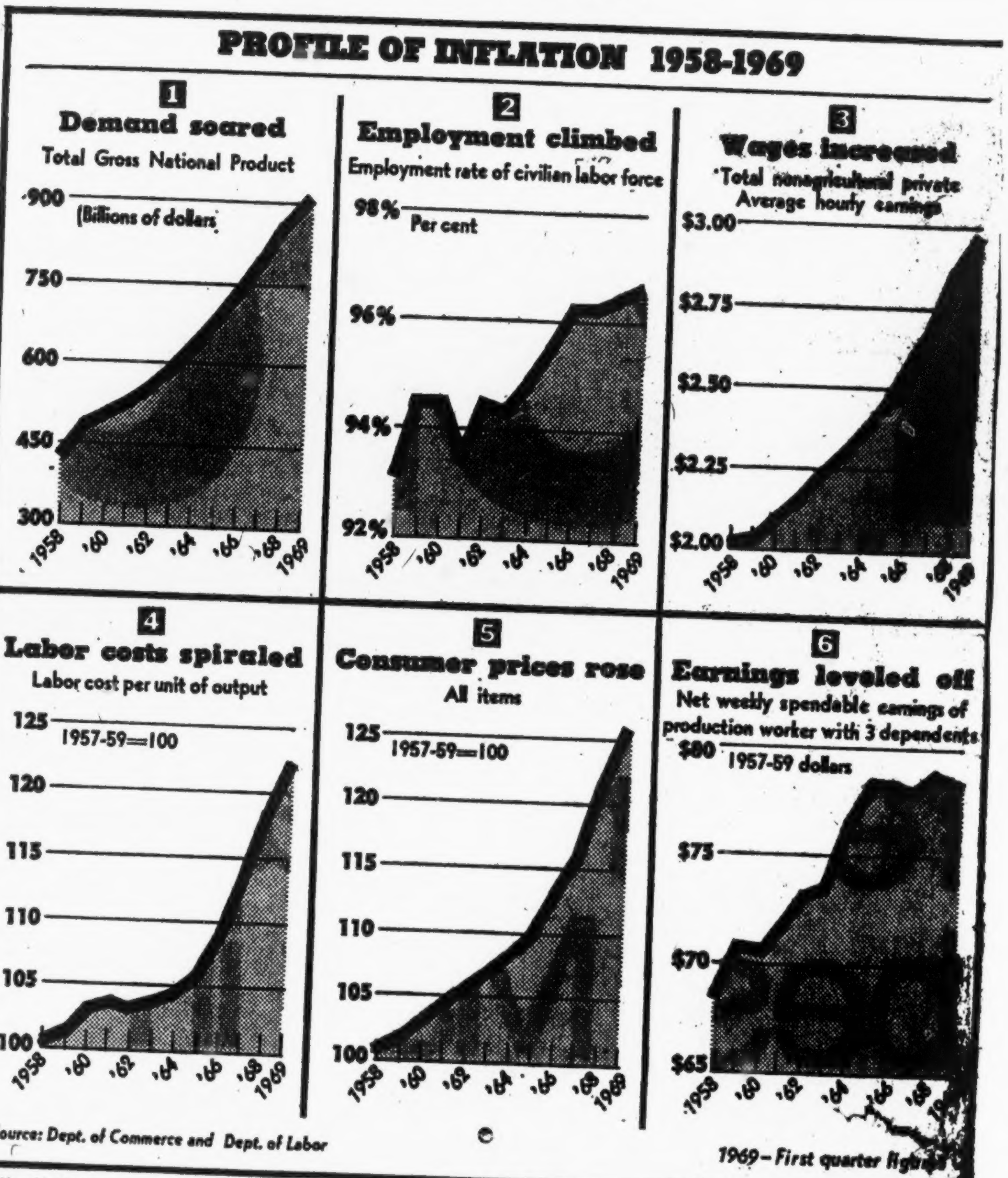
$12-Billion a Quarter

There is a widespread belief that in the period since late 1965, monetary policy most of the time has been too expansionary—permitting a too rapid increase in money and credit, and hence spending—partly because of the problem created by the budget deficit

1967, through 1968 and [illegible] 1969.

Once the inflation [illegible] out," private forces cam[illegible] play, in the process kn[illegible] the "wage-price spiral[illegible] demanded and won la[illegible] increases, partly on [illegible] of the need to cover ris[illegible] prices; business costs of [illegible] kinds began to rise.

These private cost-fo[illegible] will continue to operate [illegible] that Government fisc[illegible] monetary policy are [illegible] pulling together in the [illegible]tion of restraint. So no one [illegible]pects the rate of inf[illegible] slow rapidly—even thou[illegible] total demand is now [illegible] control.



Source: Dept. of Commerce and Dept. of Labor

1969—First quarter figures

The New York Times

INFLATION FACTORS: The economy enjoyed growth with relatively low inflation [illegible] June [illegible] 1965. Vietnam war costs then began to push up demand, leading to a sharp [illegible] output of goods and services (1) and helping to increase the percentage of the [illegible] force employed (2). Wages rose (3) as labor supply tightened, and the labor cost required to make each unit of goods soared (4). Businessmen, lured by strong sales and rising labor costs, raised prices and helped to produce a rapid climb in con[illegible] price levels (5). The average production worker made no gain in "real" spe[illegible] earnings (6) because rising prices and higher taxes have slightly outpaced rising [illegible]

(Source: New York Times)

Questions for Inquiry and Discovery

1. In what ways has labor contributed to the inflation of the 1960's?
2. What responsibility for the recent inflation must industry bear, according to this article?
3. Where is the greatest share of the burden placed for the inflation of the 1960's? Why?
4. Was the government's fiscal policy responsible for the continuing inflation? How?
5. What was the purpose of the 1968 surtax? Was its purpose fulfilled?
6. What role did monetary policy play during the period 1965-1967?
7. What difficulties were encountered in the effort to fight inflation? Were they overcome? How?

Questions for Discussion

1. How effective was the use of the government's fiscal policy in fighting the upward spiral of prices in the 1960's?
2. Was monetary policy an aid or a hindrance in this effort?

**3. How does the "New Economics" differ from the "old economics?"

4. How effectively was our government fulfilling the aims of the Employment Act of 1946?
5. How effective has President Nixon been in meeting the challenge of inflation?

3. Graphs can be used to illustrate the relationships between inflation and the unemployment rate as well as those between wage increases and productivity.

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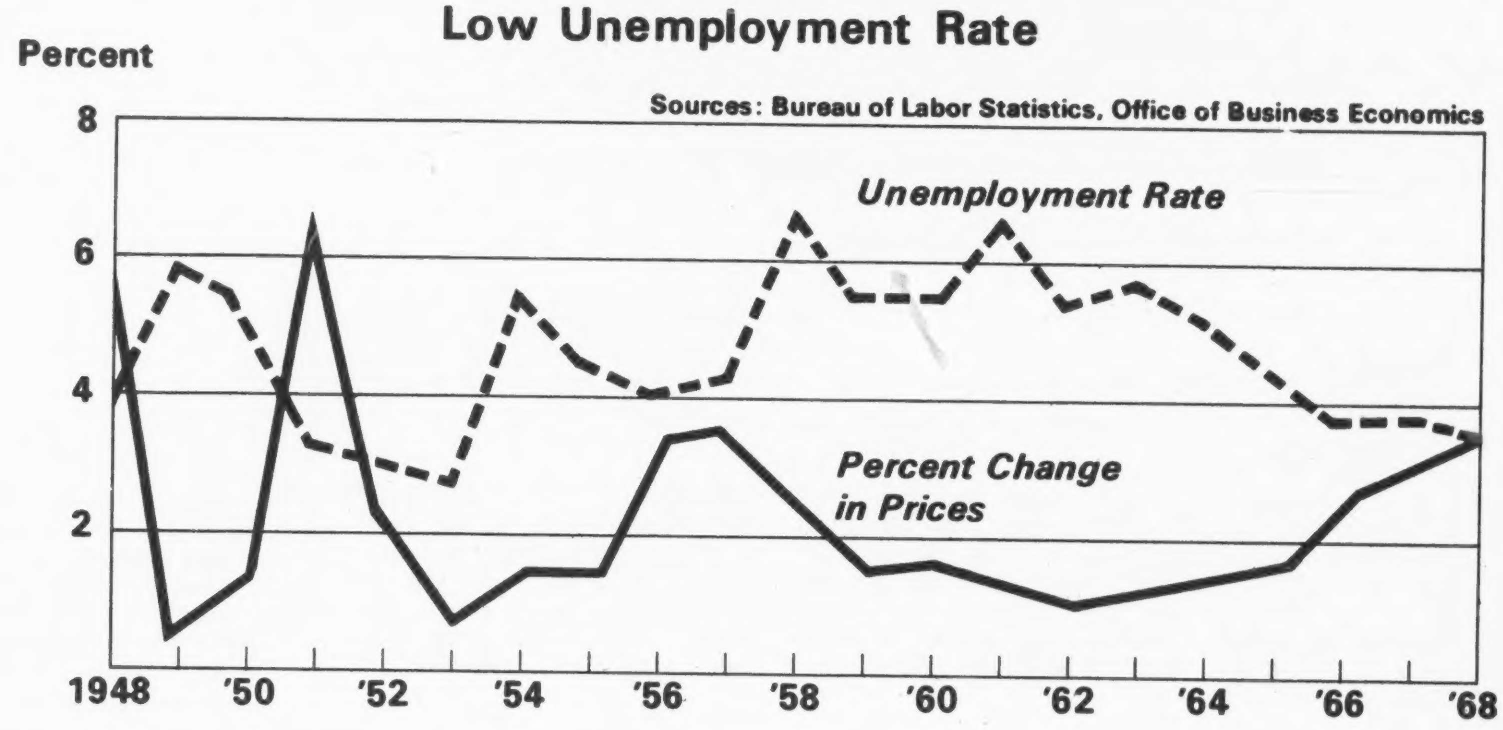
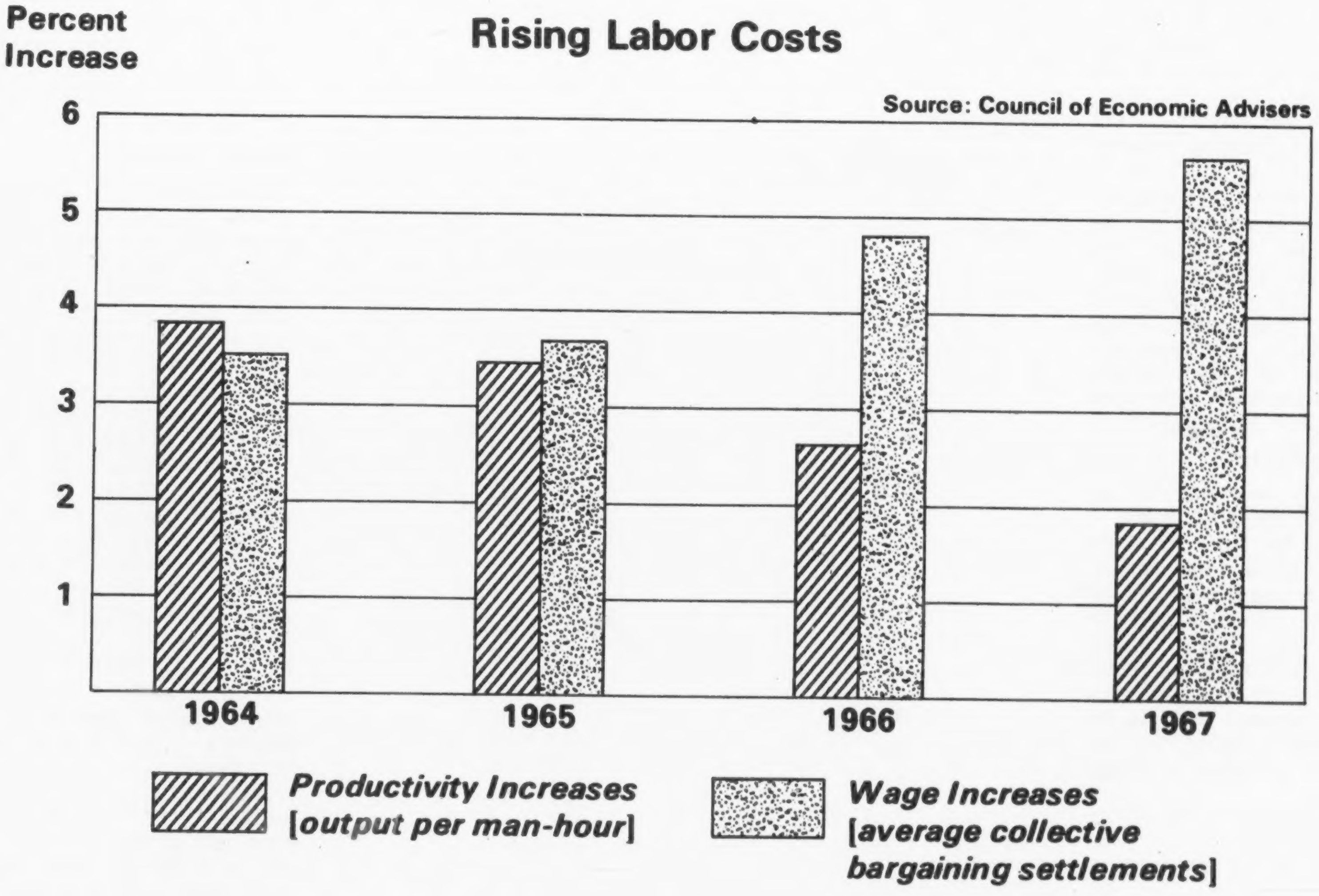
**Recommended for Students Achieving Above Grade Level.

Two Causes of Inflation



Low Unemployment Rate

Sources: Bureau of Labor Statistics, Office of Business Economics



Rising Labor Costs

Source: Council of Economic Advisers

These graphs are presented for use with the article on inflation. See the teaching article for suggestions. American Education Publications grants permission to duplicate this page for classroom use.

Questions for Inquiry and Discovery

1. What has happened to the rate of price increase as the rate of unemployment has declined?
2. Why do low unemployment rates tend to lead to inflation?
3. What problem does the trade-off between unemployment and rising prices present to the policy-maker?
4. Which should be given greater priority? Why?
5. What has caused rising labor costs since 1964?
6. Why do higher labor costs lead to higher prices?

The problem of dealing with an inflation while protecting against a recession can be developed by using the following article.

tionary policy may soon be at hand, Paul W. McCracken, the chairman of President Nixon's Council of Economic Advisers, said recently. "The perfect time would be when it seems premature," he told an interviewer. "If you wait until you are absolutely sure that you have turned the corner, it's probably too late."

That was three weeks ago, when most of the talk was whether the Administration's policy would work. It was before *the* number turned up. The number, of course, is the unemployment rate, the percentage of the civilian work force actively seeking employment.

There are many things wrong with the unemployment rate as an economic indicator. For many people, perhaps most, however, the unemployment rate is the only economic statistic to which they pay any attention at all. Thus, it not only is extremely important psychologically but politically.

Discussion Shifts

The sharp jump in the unemployment rate, from 3.5 to 4 per cent of the labor force, its highest level in two years, rightly or wrongly, has shifted economic discussion abuptly. In a week, the doubts about whether Administration policy would produce a slowdown have been shunted aside in favor of another: What are the chances of avoiding a recession?

First, what is a recession? By definition of the National Bureau of Economic Research, a private economic research organization, a recession occurs

by the Federal Reserve, failed to qualify. That was because it persisted for only one quarter, hence the popular characterization, minirecession.

Next, what causes a recession? In brief, a recession occurs when the forces powering expansion of the economy run out of steam. Each expansion is different from every other one, hence every recession comes about a bit differently from the one before.

While the major forces are those affecting the private economy, Government actions greatly influence both booms and recessions. For four years, the current business expansion—at 8½ years of age the oldest in the nation's peacetime history — was characterized by balance and stable prices.

boom has been characterized by increasingly rampant inflation, a growing credit squeeze that has affected some sectors of the economy much more than others, some of the highest interest rates in the nation's history, and gradually declining real growth.

As in any inflation, some benefited from windfall profits, while many more found themselves running ever faster merely to stay even with rising costs. For the nation as a whole, more and more time was spent in attempts to counter inflation that might more usefully have gone into productive effort. This was a major reason for the decline in growth.

While other forces played a role—tax incentives to businessmen to invest in new plant and

boom were increased defense spending and failure to increase taxes early enough or sufficiently enough to pay for the added costs of the war. Coupled with these was an outsized expansion of the money supply.

To puncture the inflation and restore balance to the economy, Congress last year passed the income tax surtax. At the same time, it trimmed Government spending sharply. The budget, which had been in deep deficit, shifted abruptly toward a surplus. Worried about "overkill," the Federal Reserve took the brakes off expansion of the money supply.

Roaring Ahead

The result was unexpected, except by a minority group of economists who place chief reliance on the money supply as the prime mover in the economy. Instead of slowing down, the economy roared ahead even faster. It was the end of last year before the central banking system reversed itself to impose tight money once again.

Twice before, when it held the 1967 downturn to a minirecession and last year when it guessed wrong about the surtax, the Federal Reserve reversed monetary policy before the fires of inflation had been sufficiently doused. To do so again might cause a holocaust.

The opposite danger lies in the possibility that the central banking system may be unable to restore its credibility without in effect guaranteeing a recession. There is even some fear that it may even be tightening further to keep interest

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First, what is a recession? By definition of the National Bureau of Economic Research, a private economic research organization, a recession occurs whenever the economy fails to show real growth for two or more quarters. This is indicated when the gross national product, adjusted for price increases, stands still or declines. By this definition, there were recessions in 1949, 1953-54, 1957-58 and 1960-61. But the 1967 downturn, which was by the Federal Reserve, failed to qualify. That was because it persisted for only one quarter, hence the popular characterization, minirecession.

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The opposite danger lies in the possibility that the central banking system may be unable to restore its credibility without in effect guaranteeing a recession. There is even some fear that it may even be tightening further to keep interest rates from falling as the economy slackens.

Meanwhile, if the business slowdown follows history—and there is no reason to believe it will not—a halt to rising prices won't be seen until next year. Typically, the full effects in checking infation often aren't felt until the recession is over and a recovery is under way.

—ALBERT L. KRAUS

(Source: New York Times)

Questions for Discussion

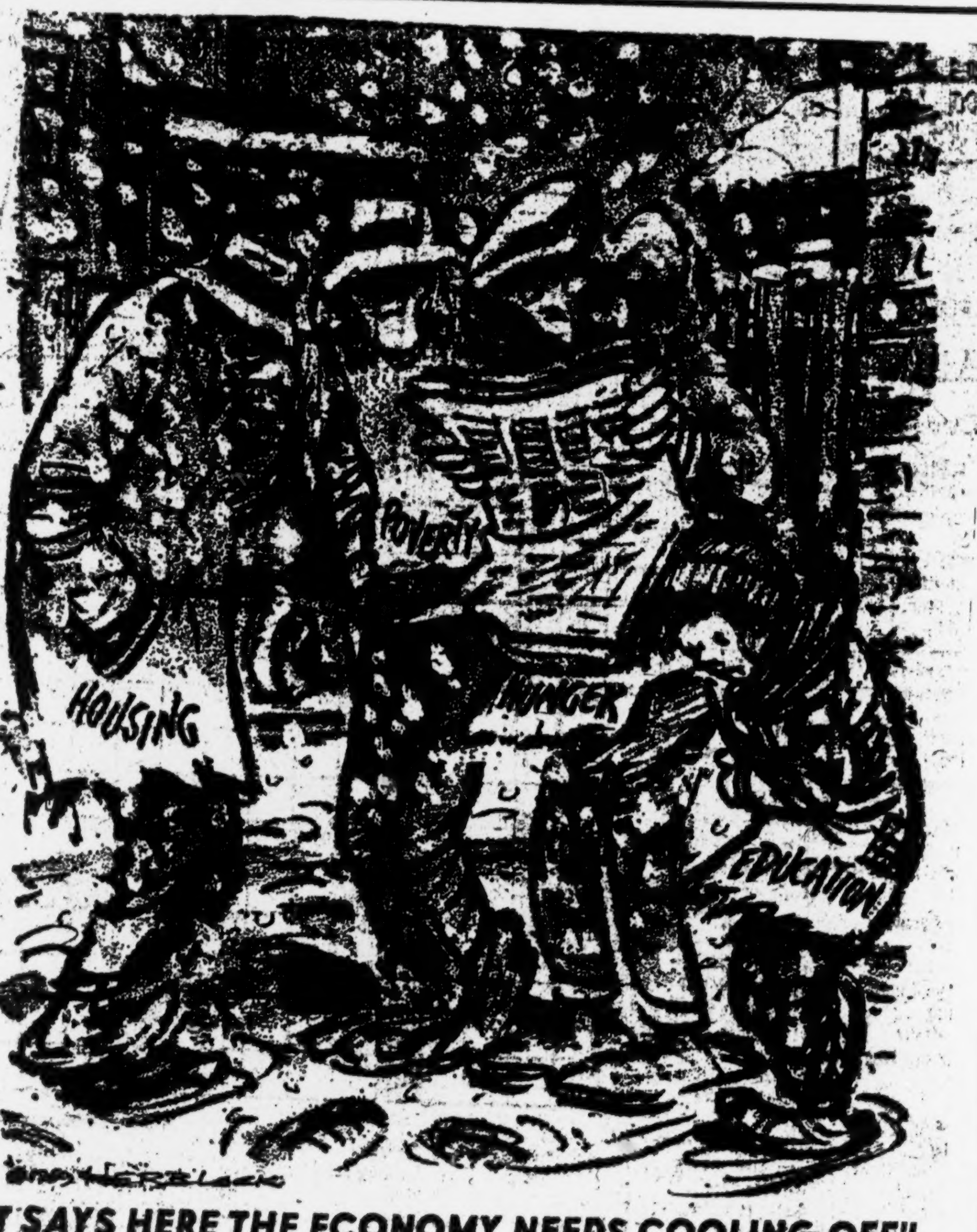
a. What major caution must be taken when taking steps to reverse an inflationary trend?

b. What factors may swing an economy from an inflation to a recession?

c. What are the consequences of a recession?

d. How can the fear of "overkill" affect decision making and policy formulation?

*4.


POVERTY
HOUSING
HUNGER
EDUCATION
HERBLOCK

"IT SAYS HERE THE ECONOMY NEEDS COOLING OFF"

(Source: New York Post, December 12, 1969)

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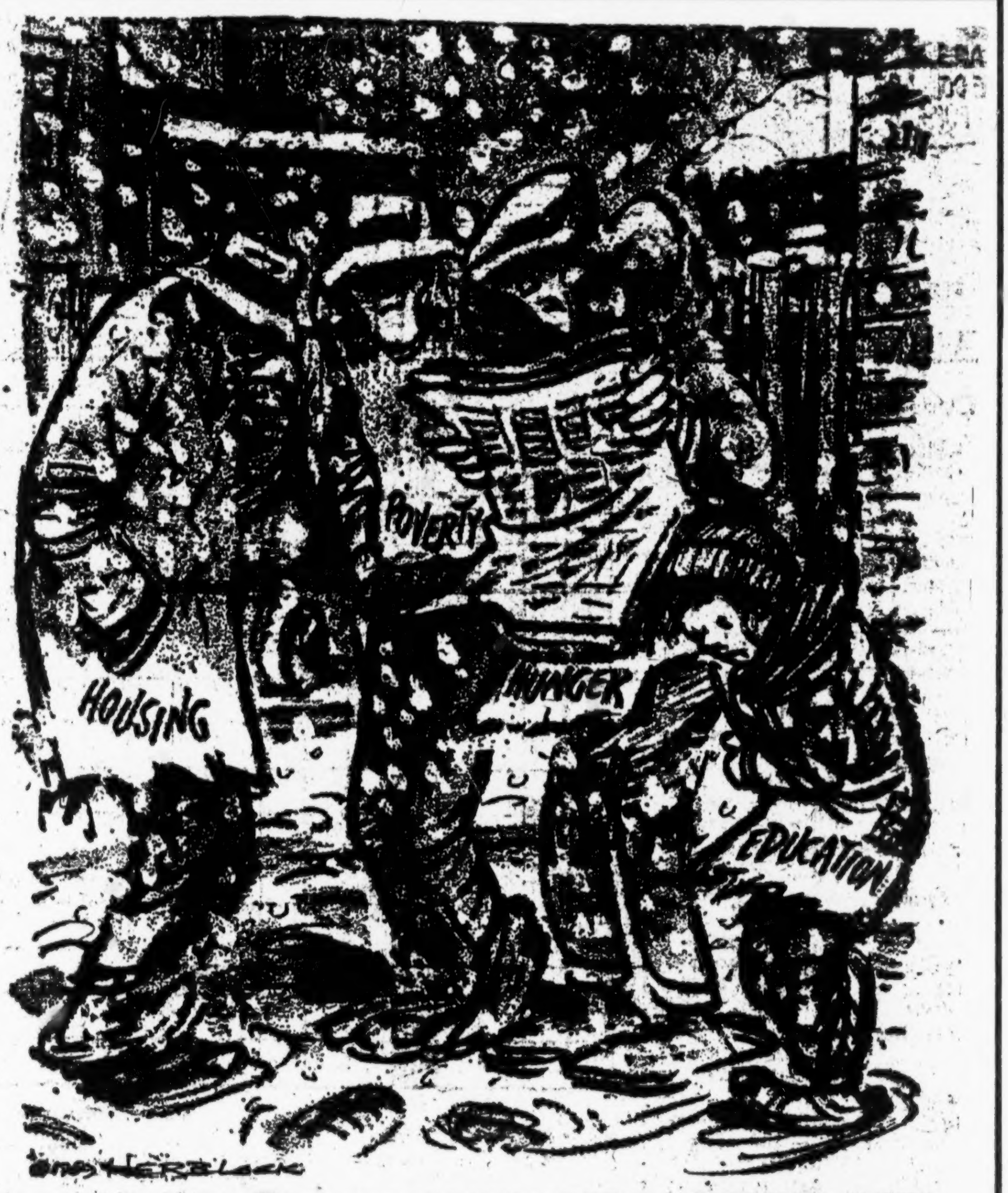


"IT SAYS HERE THE ECONOMY NEEDS COOLING OFF"

(Source: New York Post, December 12, 1969)

a. What are the major problems facing our economy according to the above cartoon?

b. How will decreased government spending affect these problem areas?

c. How might decreased spending affect inflation?

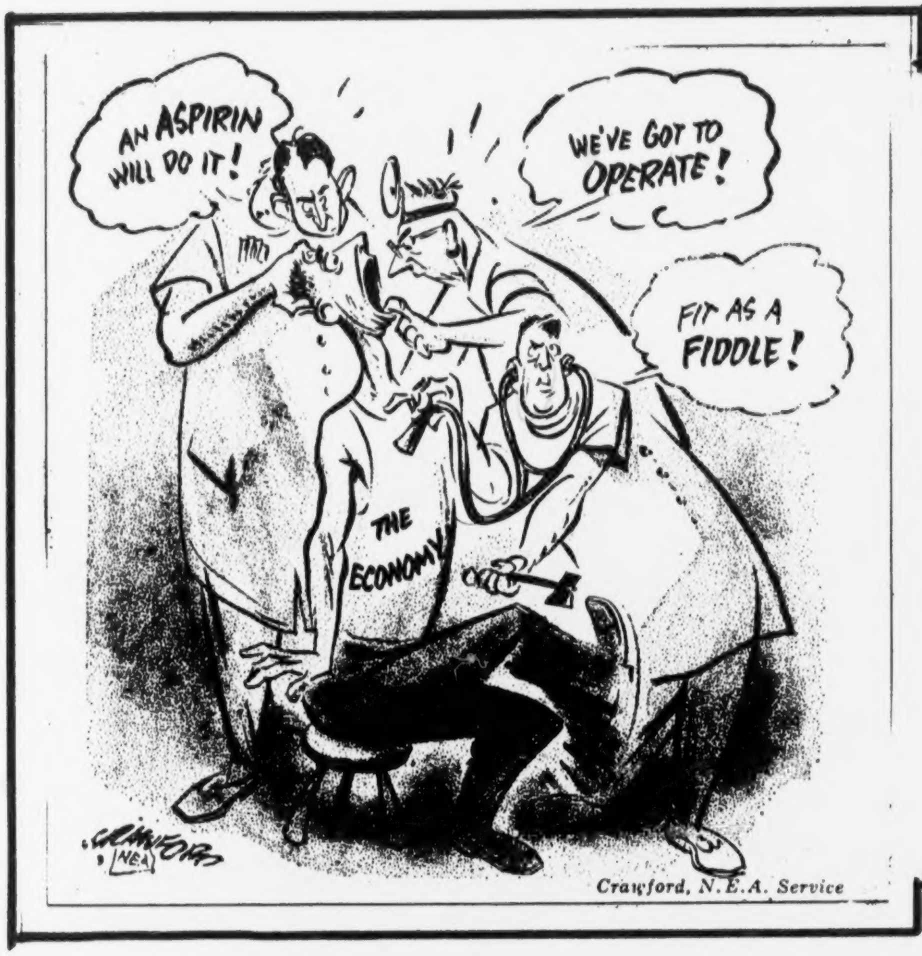
d. What dilemma does a government policy maker face?

e. What choice would you make?

*Recommended for Students Achieving Below Grade Level.

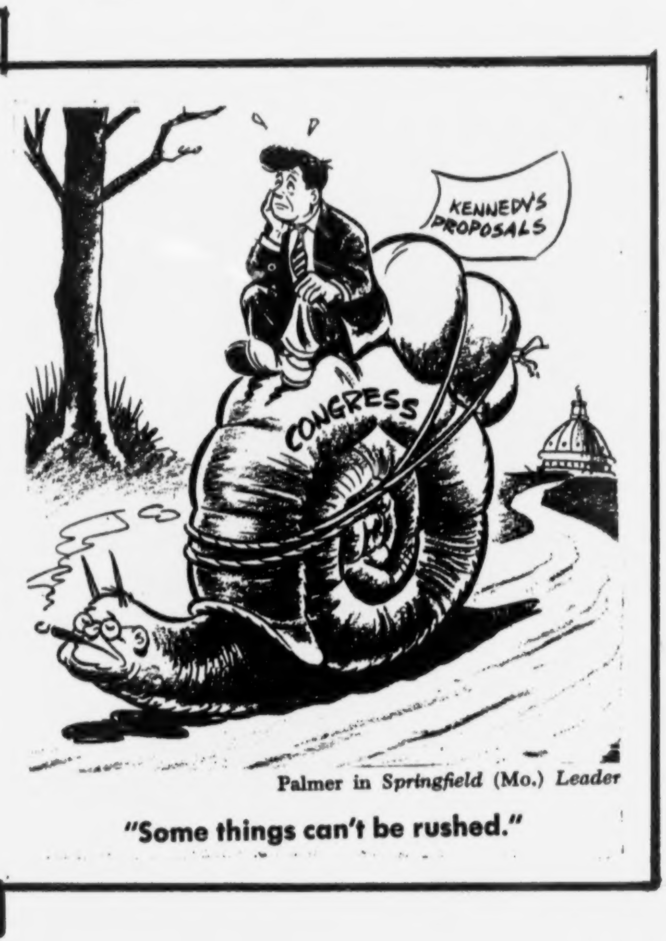
5. Use the cartoons below to understand some of the problems of policy making.

I


AN ASPIRIN WILL DO IT!
WE'VE GOT TO OPERATE!
FIT AS A FIDDLE!
THE ECONOMY
CRAWFORD NEA

Crawford, N.E.A. Service

II


KENNEDY'S PROPOSALS
CONGRESS

Palmer in *Springfield* (Mo.) *Leader*

"Some things can't be rushed."

Questions for Inquiry and Discovery

1. What problem of policy making is suggested in cartoon #1?

2. Why do economists differ in their analysis of economic problems?

3. Why at times do their views differ on the course of action that the government should take to keep our economy healthy?

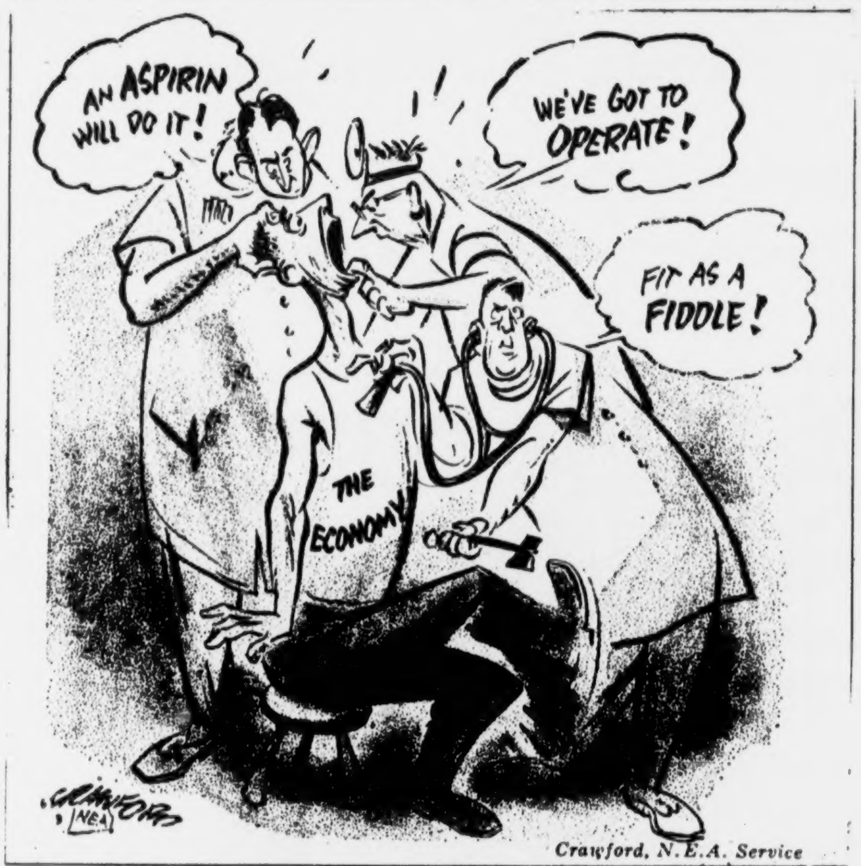
4. What problems of policy making is suggested in cartoon #2?

5. Why is there a time lag between analyzing an economic problem and deciding on an appropriate policy?

6. Why is there a time lag between policy making and implementation?

7. What affect do the problems suggested in the cartoons have on the ability to deal with economic problems?

Follow-up Activities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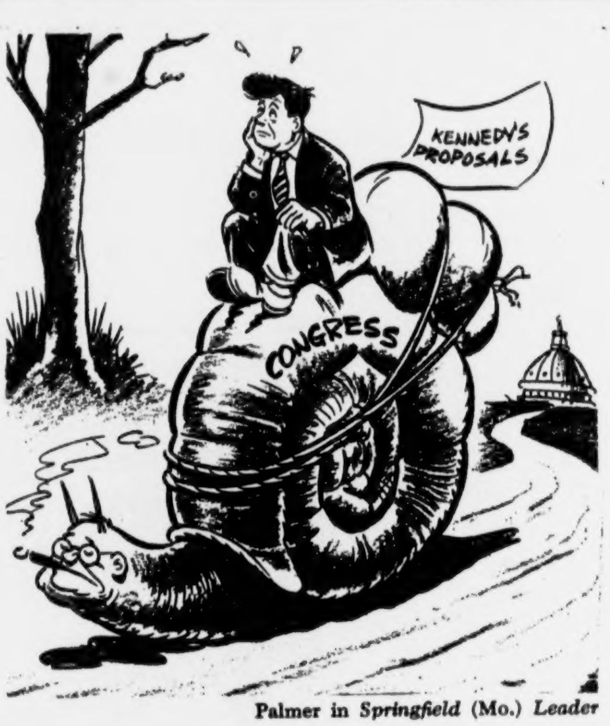
Crawford, N.E.A. Service



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Follow-up Activities

1. Students can report on the problems faced by the Johnson administration when it tried to get the 1968 tax surcharge passed and by the Nixon administration, when it attempted to extend the surcharge. They can be asked:

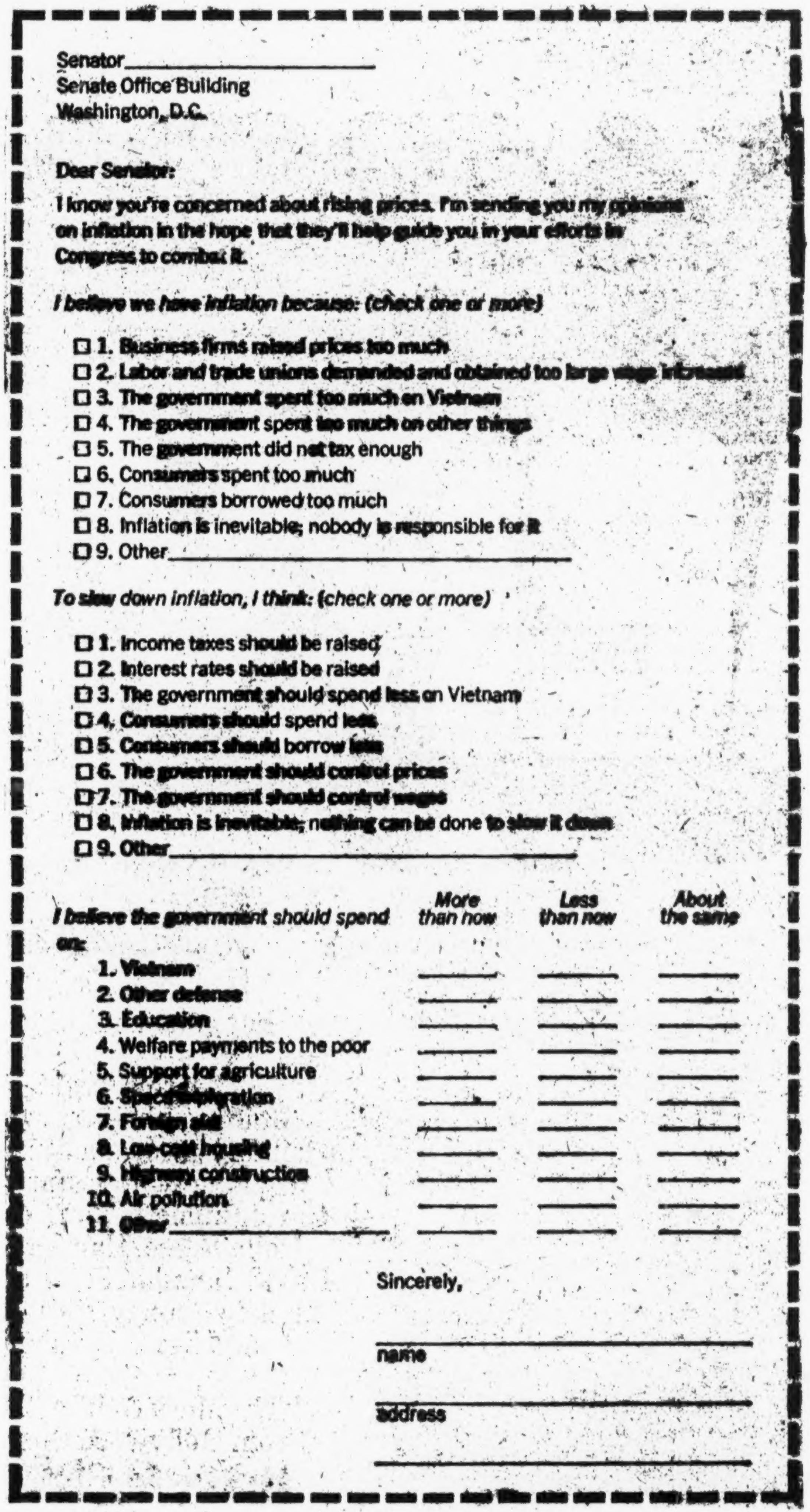
   a. What were some of the suggested ways of halting inflation?

   b. Why did Congress take so long to pass the tax legislation?

   c. What difficulties did the Nixon administration meet when it wanted to extend the surcharge? Why was there opposition?

d. If you were asked, what decision would you make? Why?

*2. Students can express their views to their representatives by writing to them.



Senator____________________
Senate Office Building
Washington, D.C.

Dear Senator:

I know you're concerned about rising prices. I'm sending you my opinions on inflation in the hope that they'll help guide you in your efforts in Congress to combat it.

I believe we have inflation because: (check one or more)

- ☐ 1. Business firms raised prices too much
- ☐ 2. Labor and trade unions demanded and obtained too large wage increases
- ☐ 3. The government spent too much on Vietnam
- ☐ 4. The government spent too much on other things
- ☐ 5. The government did not tax enough
- ☐ 6. Consumers spent too much
- ☐ 7. Consumers borrowed too much
- ☐ 8. Inflation is inevitable; nobody is responsible for it
- ☐ 9. Other____________________________

To slow down inflation, I think: (check one or more)

- ☐ 1. Income taxes should be raised
- ☐ 2. Interest rates should be raised
- ☐ 3. The government should spend less on Vietnam
- ☐ 4. Consumers should spend less
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I believe the government should spend on:	*More than now*	*Less than now*	*About the same*
1. Vietnam			
2. Other defense			
3. Education			
4. Welfare payments to the poor			
5. Support for agriculture			
6. Space exploration			
7. Foreign aid			
8. Low-cost housing			
9. Highway construction			
10. Air pollution			
11. Other____________			

Sincerely,

____
name

____
address

____

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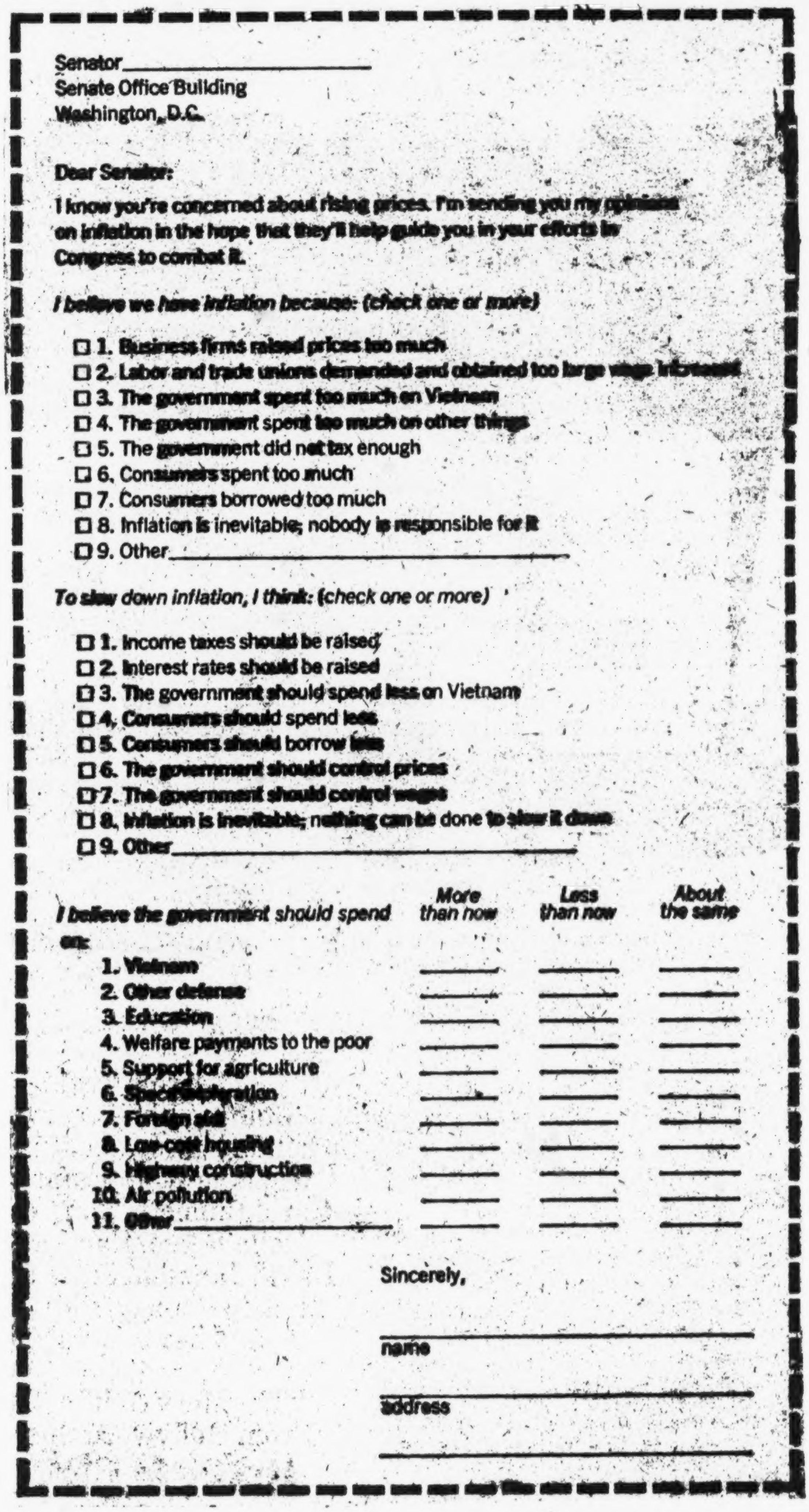

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**3. Individual Study. Students can research and report on the monetary policy views of Milton Friedman - Resources.

Milton Friedman and Walter Heller - Monetary vs. Fiscal Policy. Norton, 1969.

Milton Friedman - Capitalism and Freedom. University of Chicago Press, 1965.

*Recommended for Students Achieving Below Grade Level.
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"The World of Friedmanism", New York Times Magazine, January 25, 1970, Page 22.

The American Economy TV Series - Debate. Milton Friedman and Paul Samuelson, National Educational Television.

Questions for Discussion

1. What are Friedman's views on the role of the federal government in the American economy?
2. What are the Friedman criticisms of the Federal Reserve Board? Are they justified? Why?
3. In what areas are Friedman and Samuelson in agreement? disagreement? Why?
4. How have the Friedman ideas influenced the economic policies of the Nixon administration?

6. Students can do the following exercises to review fiscal and monetary policy and to apply their understandings to the situations below:

   a. In 1966, the unemployment rate of experienced, full-time workers fell to about 3.5%. This represents virtually full employment in a highly mobile society in which a number of workers are constantly in the process of moving from one job to another. Assuming that productive capacity was fully employed in 1966, what do you predict might happen if the following events came to pass:

      (1) Business investors predict consumer demand will go up 30%. They plan to increase their investment in plant and equipment accordingly. What do you predict will happen to GNP? To employment? To prices?

      (2) Families anticipate increased earnings as a result of booming business conditions. The International Steelworkers Union has just signed a new contract calling for a 10% wage increase. Additional pay for overtime seems likely.

      (3) The nation's expenditures for national defense doubles. No decrease in other expenditures is planned.

      (4) What do you predict would happen to the price level if events, 1, 2 and 3 all happened simultaneously. What would you suggest doing about it?

   b. Below is a list of possible fiscal policies and a list of different economic situations. Take a sheet of paper and make a list of numbers from 1 to 10 to correspond to each of the situations listed below. Then after each number write the letter of the fiscal policy action that you think is the most appropriate in each situation. Be prepared to defend your choice of the most appropriate fiscal policy in each case.

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      Policies

      (1) raise taxes, cut government expenditures, or some combination of both

      (2) lower taxes, increase government expenditures, or some combination of both

      (3) raise taxes

      (4) lower taxes

(5) increase government expenditures

(6) decrease government expenditures

(7) do nothing

Situations

(1) The economy is operating at full employment and is experiencing a sharp increase in prices.

(2) The economy is operating well below full employment, and the major price indexes have been very stable.

(3) The economy has been operating at full employment with stable prices, when a change in the world situation necessitates a sharp increase in defense spending.

(4) The economy has been operating at full employment, and the major price indexes have started to increase slightly, when the Federal Reserve Board announces that it is beginning to pursue a tighter monetary policy.

(5) The economy has been operating at full employment with stable prices for several years, but as government tax receipts continue to increase steadily, the unemployment rate begins to increase slightly.

(6) A world-wide disarmament agreement causes a major reduction in defense spending. The economy has been operating at full employment with stable prices.

(7) The government budget shows a large deficit at the current time but the economy is operating at full employment with stable prices.

(8) The government budget shows a large surplus at the current time but the economy is operating at full employment with stable prices.

(9) The government budget is balanced, but the economy is at full employment and prices are rising rapidly.

(10) The government budget is balanced, but the economy is operating well below full employment with stable prices.

c.

(1) Assume that you are the staff economist called to a special meeting of the President of the United States, key cabinet officers and congressional leaders, the Council of Economic Advisers, and the Federal Reserve Board. Your task is to propose a set of specific policy recommendations, with reasons in support of those specific measures, in each of the following situations.

(7) do nothing

Situations

(1) The economy is operating at full employment and is experiencing a sharp increase in prices.

(2) The economy is operating well below full employment, and the major price indexes have been very stable.

(3) The economy has been operating at full employment with stable prices, when a change in the world situation necessitates a sharp increase in defense spending.

(4) The economy has been operating at full employment, and the major price indexes have started to increase slightly, when the Federal Reserve Board announces that it is beginning to pursue a tighter monetary policy.

(5) The economy has been operating at full employment with stable prices for several years, but as government tax receipts continue to increase steadily, the unemployment rate begins to increase slightly.

(6) A world-wide disarmament agreement causes a major reduction in defense spending. The economy has been operating at full employment with stable prices.

(7) The government budget shows a large deficit at the current time but the economy is operating at full employment with stable prices.

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c.

(1) Assume that you are the staff economist called to a special meeting of the President of the United States, key cabinet officers and congressional leaders, the Council of Economic Advisers, and the Federal Reserve Board. Your task is to propose a set of specific policy recommendations, with reasons in support of those specific measures, in each of the following situations.

(a) The economy is experiencing a full employment boom with a gradual rise of 2-3 percent in the Consumer Price Index. It is an election year and the incumbent political party is worried about the inflation issue in the forthcoming election. What would you advise them to do and why?

(b) The unemployment rate has increased to about 6 percent of the civilizn labor force recently, and it is an election year. The incumbent political party is worried about the unemployment issue in the forthcoming election. What would you advise them to do and why?

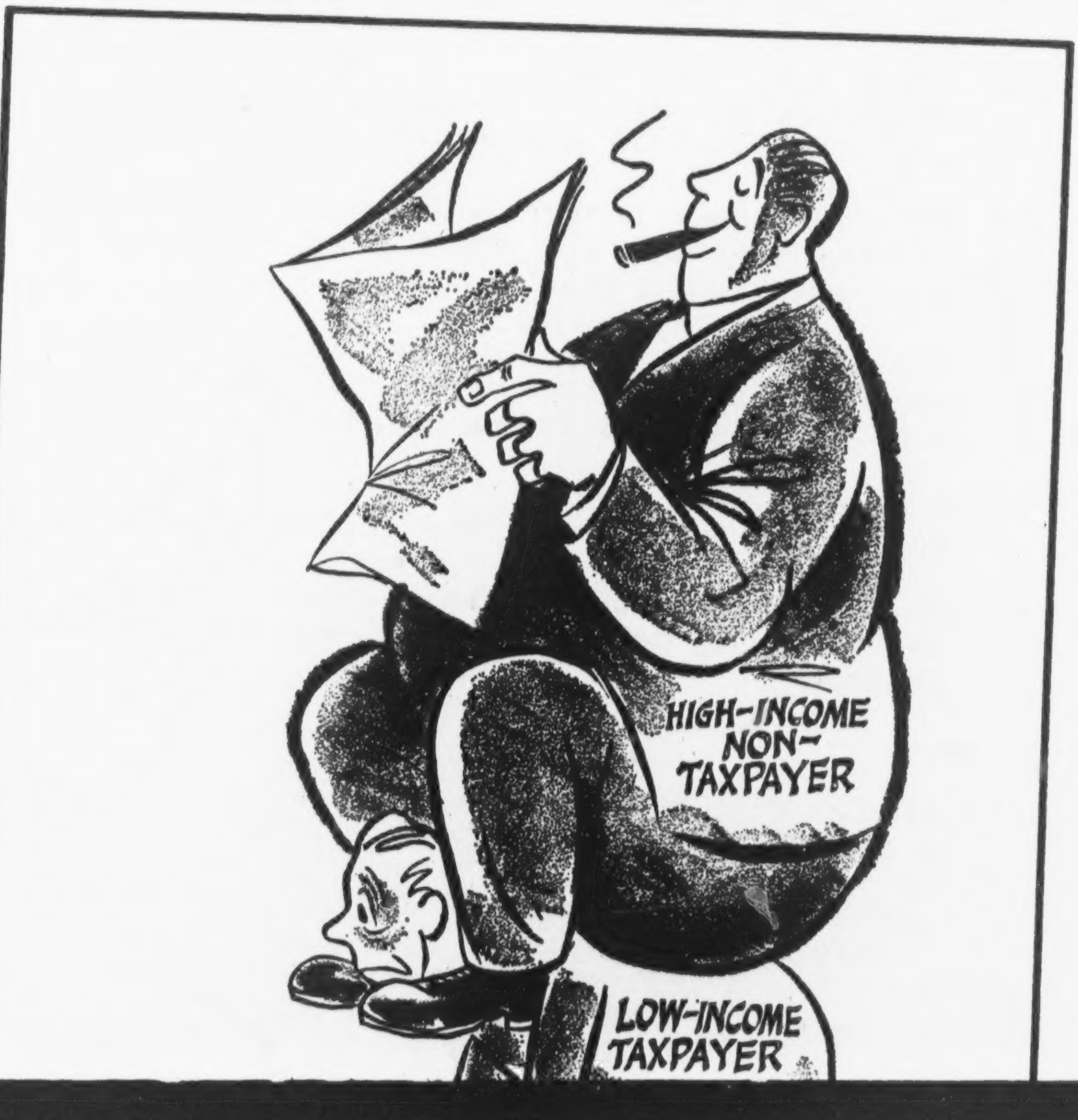
(2) After you have prepared your recommendation in each of the preceding situations, compare your proposals with those of other members of your class and try to reach an agreement on the most appropriate recommendations in each case. Why do differences exist?

Follow-up Activities

*1. Teachers can use the Federal Government Income Tax Kit with students to teach about taxes (Teacher Taxes, Coordinator, Internal Revenue Service, District Office, New York, New York). Sample tax forms are included for class use. The activities in the Kit can be used to develop understandings of:

1. Why do we have taxes?
2. What is a "fair" tax?
3. What kinds of taxes do we pay?
4. Who pays taxes?
5. How do we file a tax return?

*2. The cartoon below can be used to study the fairness of the tax burden.



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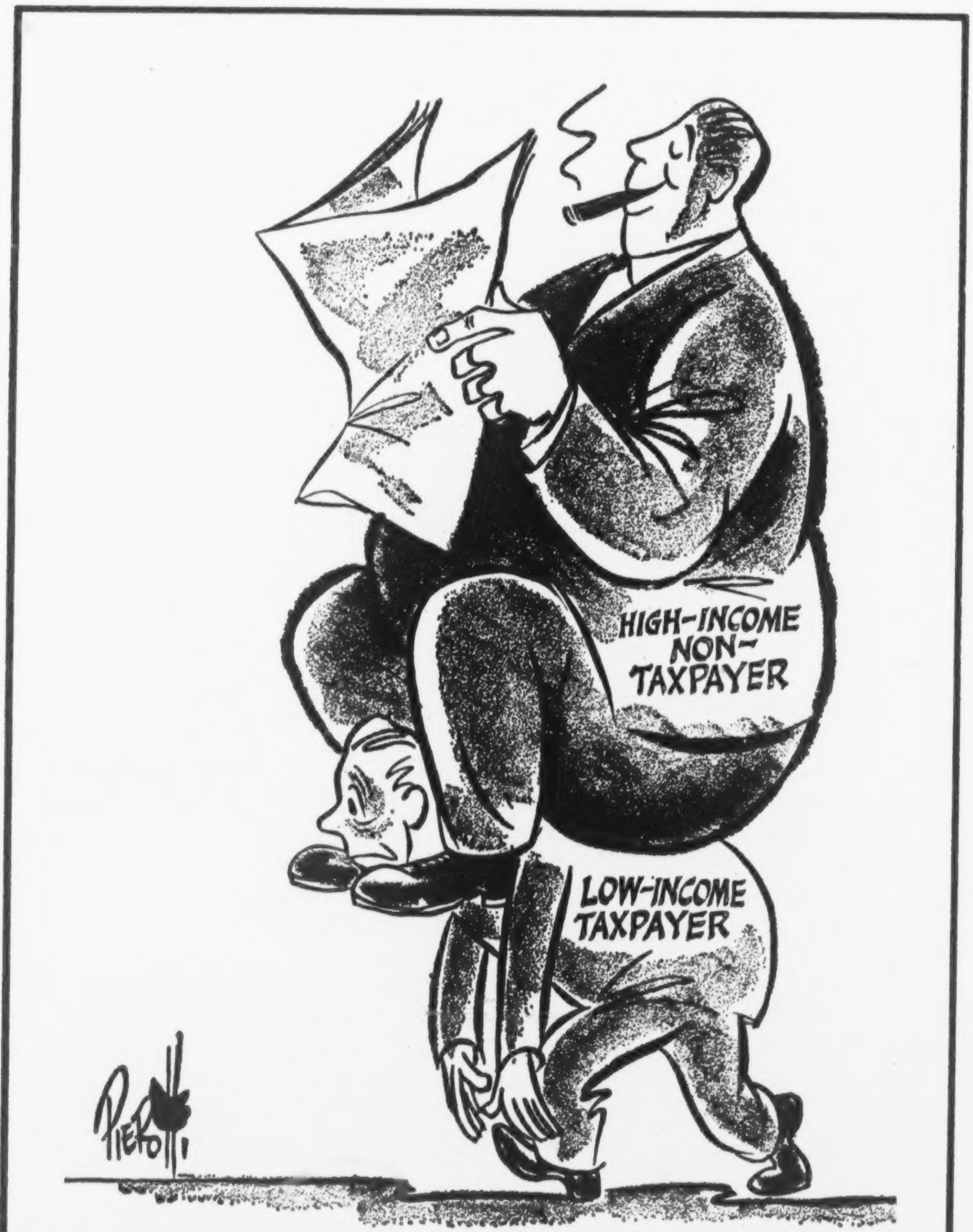

(Source: New York Post)

*Recommended for Students Achieving Below Grade Level.

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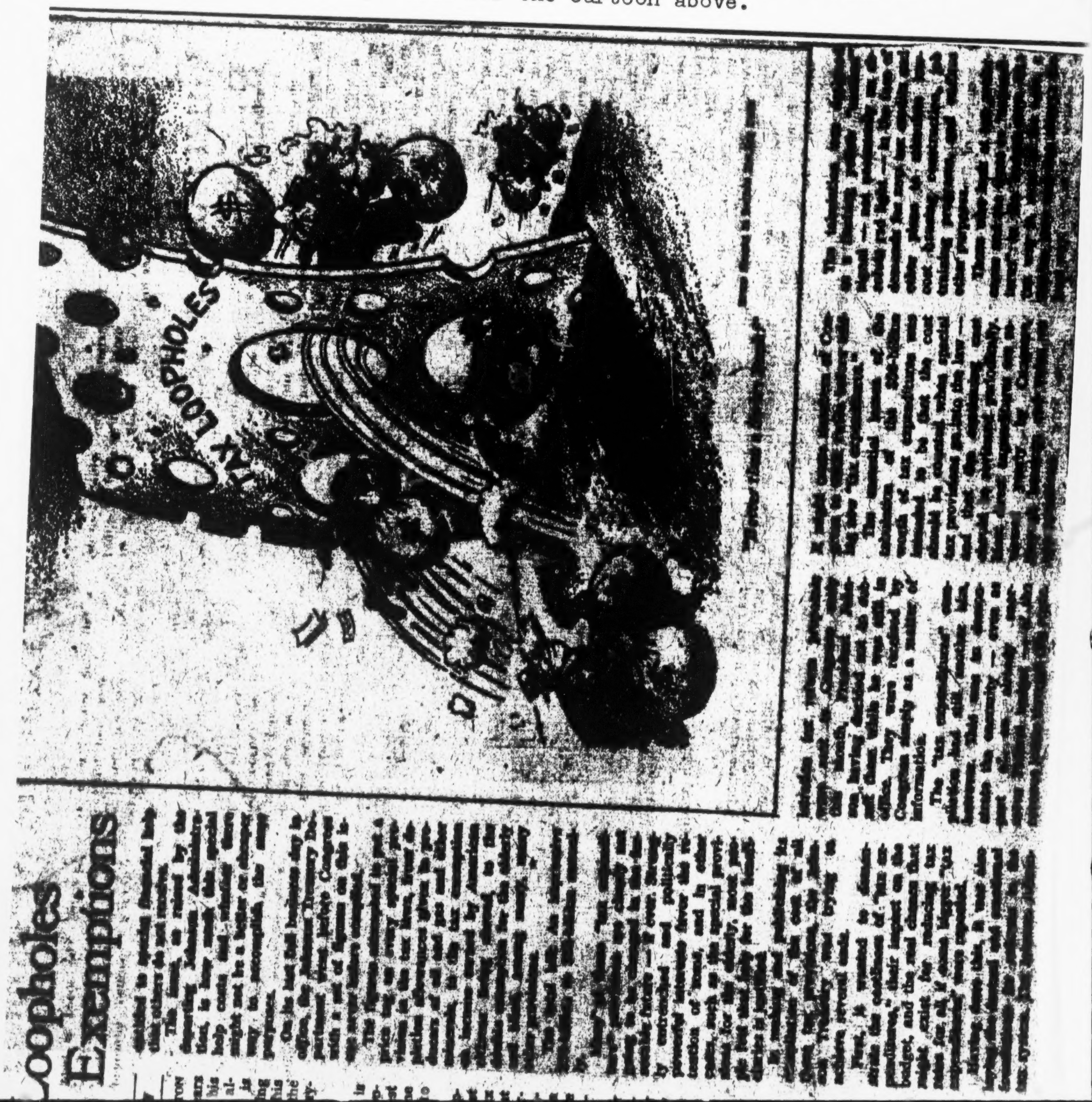
Questions for Inquiry and Discovery

1. What does the cartoonist feel about the fairness of our tax system?

2. Why does he feel this way?

3. Read the article below about the tax loopholes to find out if there is any basis for the cartoon above.



oopholes

Exemptions

Tax Loopholes Vs. Real Exemptions

By EILEEN SHANAHAN

WASHINGTON

When anyone over 65 years old sits down to fill out his Federal income tax return, almost the first thing he does is check a special box entitling him to subtract $1,200 from his taxable income instead of the $600 permitted younger taxpayers as a personal exemption.

Is this a tax loophole?

To most people it certainly is not, because they define a loophole as an outrageously unjust tax preference given to someone who could jolly well afford to pay his taxes in full.

However, the double exemption for the elderly does cost the Government money. The tax payments that the Government would receive from elderly persons — but does not receive because of the double exemption and other provisions to help the aged — total $2.3-billion annually.

The special tax provisions for the aged have thus been identified — along with many other special provisions of the tax law — as "tax expenditures." In the Government's budget they are essentially no different from an expenditure, because they cost the Government money, just as a direct cash outlay does.

In another area — housing — the Government now provides direct subsidies to lower the interest rates on mortgages paid by buyers of certain homes. Home ownership is also subsidized through tax deductions for interest paid on home mortgages and for property taxes on homes — deductions which now cost the Government annually about $3.7-billion.

The point is not whether or not the elderly or the homeowners [illegible] are entitled to special financial help that others do not receive.

The issue, as raised by the departing Johnson Administration, is how much this special help costs and whether there might not be a better or cheaper way to accomplish the same purposes.

On its last full business day in office, the Johnson Treasury Department went before Congress with a set of figures on this issue never before compiled.

The figures attempted to put a price tag on every special provision in the tax laws, from depletion allowances given to producers of oil and gas and other minerals, to the tax exemption on income earned by American citizens living abroad, to the double exemption for the elderly and [illegible], among many, many other provisions.

The total bill: An impressive [illegible] annually.

Many of these "tax expenditure" provisions are clearly not going to be changed in the foreseeable future — if ever. Strongly entrenched and politically powerful interests favor the retention of some, and in other cases, such as the special provisions for the elderly, most people feel that help for the beneficiaries is justified.

In making and publishing its compilation of the cost of all these tax provisions, the Johnson Treasury was trying to achieve several ends.

First, it wanted to demonstrate the costliness of "tax expenditures," their impact on the budget, and the real chance that might exist for reducing tax rates for all if some bigger "tax expenditures" were repealed.

Having done this, it was also laying the factual and emotional foundations for reforms in the tax system. [illegible] legislation for reform proposals were sent to Congress early this month, President Johnson having decided not to submit them while he was still in office. They were received by Congress simply as a matter of information.

The "tax expenditures" compilation had still another ambition, however. This was to demonstrate the necessity — even at [illegible]

It might cause members of Congress to think twice before adding new "tax expenditures."

The essential point of the tabulation of the [illegible]-billion worth of tax expenditures was intended to be that the cost should be counted when special tax provisions go into the law — and that the continuing cost should be reviewed periodically, like direct expenditures are reviewed yearly by Congress. [illegible]

The tabulation was designed as a [illegible] — in the face of demands for new tax credits and other plans to stimulate low-cost housing construction, job training programs and various other purposes.

Those who [illegible]

TAX LOOPHOLES
$

"Better than a [illegible]"

(Source: New York Times)

Questions for Inquiry and Discovery

1. What are tax loopholes?

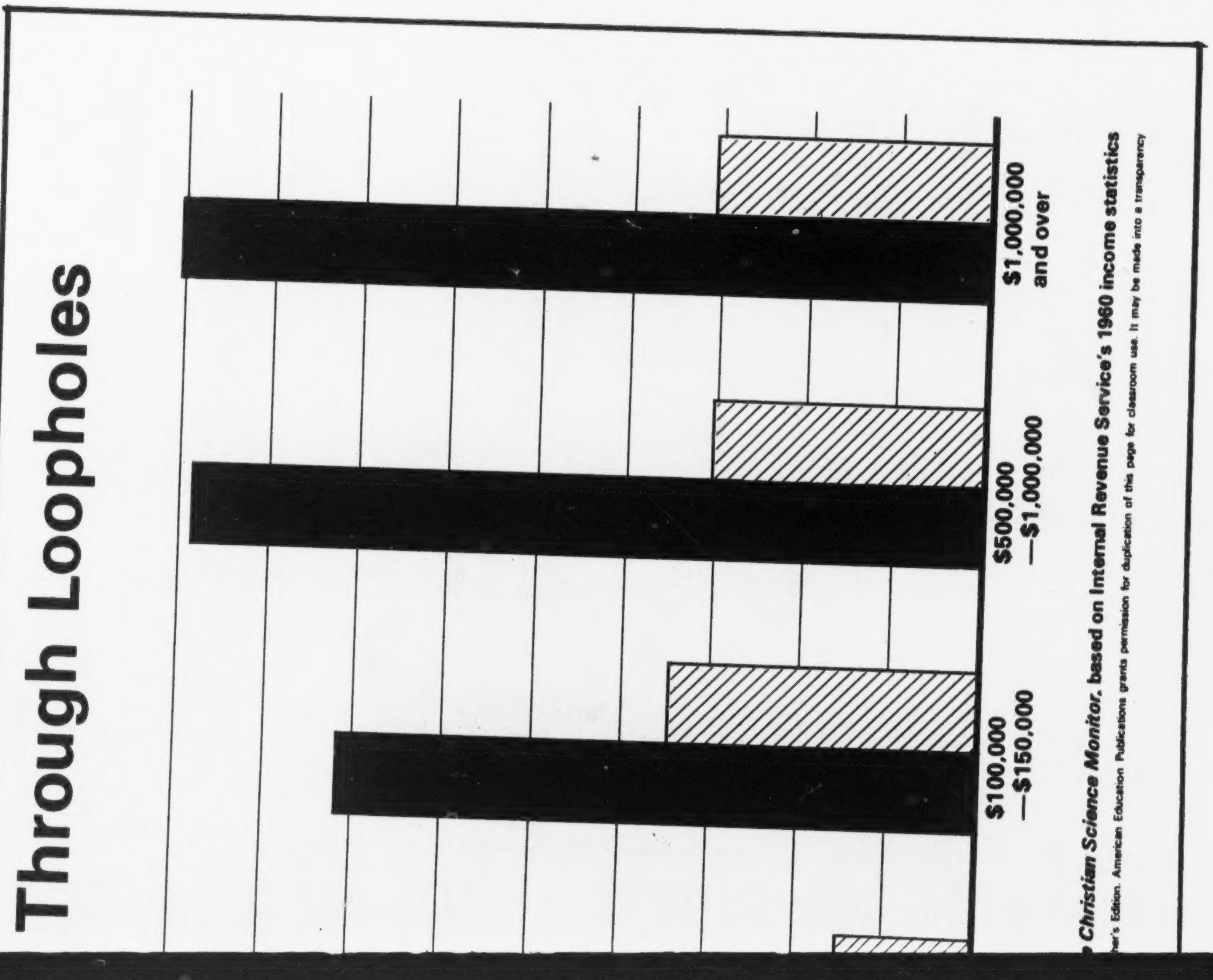
2. How are these loopholes used by some to avoid paying taxes?

3. Are these loopholes fair? Should they be abolished? Why?

4. How does it affect the federal budget?

5. How does it affect the individual's attitude toward taxes?

Through Loopholes



Christian Science Monitor, based on Internal Revenue Service's 1960 income statistics

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2. How are these loopholes used by some to avoid paying taxes?

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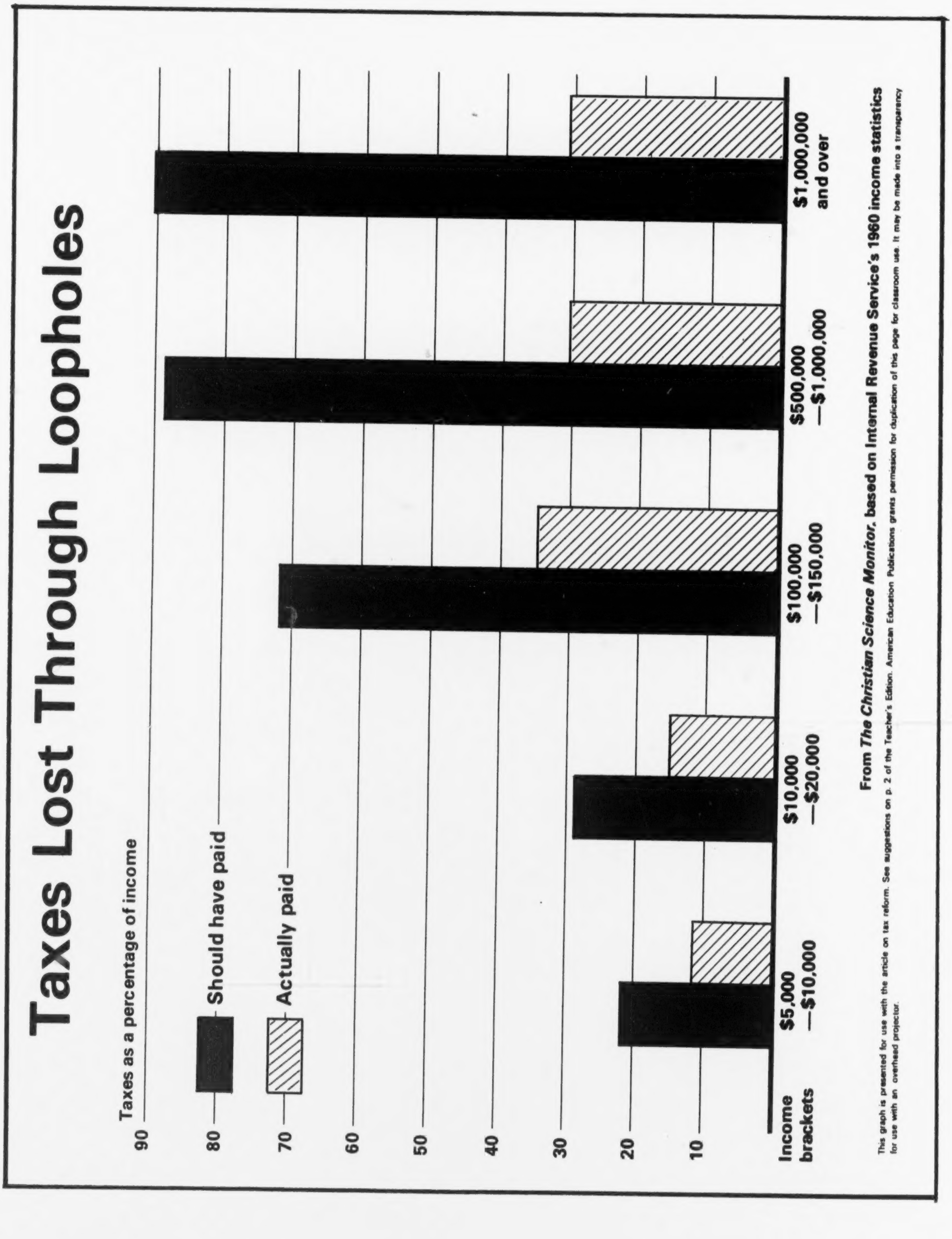

Taxes Lost Through Loopholes

From *The Christian Science Monitor*, based on Internal Revenue Service's 1960 income statistics

This graph is presented for use with the article on tax reform. See suggestions on p. 2 of the Teacher's Edition. American Education Publications grants permission for duplication of this page for classroom use. It may be made into a transparency for use with an overhead projector.

Questions for Inquiry and Discovery

1. Who benefits most from the tax loopholes?
2. What effect do tax loopholes have on government incomes?
3. What arguments have been presented for and against the following tax exemptions?
   a. Oil depletion allowance
   b. Capital gains
   c. Interest on state and local bonds
   d. Real estate
   e. Farm investors
   f. Foundations
   g. Charitable contributions
   h. Investment credit
   i. Business expenses
4. What proposals have been made to close some of the loopholes that exist? Do you spoort the proposal? Why?

Follow-up Activities

1. The following proposals can be evaluated for fairness and justifiability based on the values held by individual students.
   a. Deduction for college expenses from taxable income
   b. Double deduction for dependents who are blind
   c. Exemption from taxation of entire income of former presidents.
   d. Exemption from taxation of insurance death benefits
   e. Exemption from taxation of half the profits made from the sale of property (capital gains)
   f. Exemption from taxation of church property
   g. Increase of amount allowed to be deducted for dependents to $1,000.
   h. Exemption from taxation of all labor union income

   How might the above provisions affect:

   a. Expansion and modernization of the American economy?

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    g. Increase of amount allowed to be deducted for dependents to $1,000.
    h. Exemption from taxation of all labor union income

    How might the above provisions affect:

    a. Expansion and modernization of the American economy?
    b. The population of the United States?
    c. The principle of separation of church and state?
    d. Cultural level of the United States?
    e. Government revenue?
    f. Distribution of income and wealth?
    g. Incentive to become involved in socially useful enterprises?
2. Students can use the following form to survey the community. A class analysis can be made of community opinions of various aspects of our tax law.

SURVEY FORM: Tax Deductions and Exemptions

Students may use this form to make a survey among parents and other taxpayers in their community. The survey will show which deductions and exemptions are widely used by taxpayers, which are considered fair and reasonable, and which are considered to be "tax loopholes."

Deductions and Exemptions Claimed		How Taxpayer Feels About Provision	
Does taxpayer claim:	**Yes or No**	**Provision fair, should be retained**	**Provision unfair, should be changed**
1. exemptions for dependents?			
2. deductions for state and local taxes?			
3. deductions for gasoline taxes?			
4. deductions for charitable contributions?			
5. deductions for medical expenses not covered by insurance?			
6. deduction for unreimbursed moving expenses?			
7. exclusion of up to $100 in stock dividends?			
8. deduction for interest paid on loans, mortgages, and charge accounts?			
9. deduction of half of "capital gains"—profits from the sale of property such as stocks and real estate?			
10. nontaxable interest from state or municipal bonds?			
11. deduction for tax accountant's fee?			
12. retirement income credit?			
13. deduction for professional expenses?			
14. losses in farm operations?			
15. depreciation deduction on real estate?			
16. 27½% oil depletion allowance?			

This survey form is presented for use with the Social Science Forum. See the teaching article on p. 7 for suggestions on its use. American Education Publications grants permission for reproduction of this page for classroom use.

*4. Use Springboards Working Out Taxes, p. 3. A scene from the play "You Can't Take It With You" presents a discussion about taxes between an elderly man and a government tax agent.

   1. Why did Grandpa owe the Government money?

   2. What reasons for paying taxes were presented to Grandpa?

   3. What effect do high taxes have on people's incentive to earn more money?

5. Students can survey their communities to determine the tax supported services and facilities available. An evaluation of these can be made as follows:

   1. Should medicare cover the entire population?

   2. Should taxes be based on whether a person uses the service or not? Why?

   3. Should private schools get tax funds since the parents of their students pay taxes? Why?

   4. Should people be allowed to be able to pick and choose the taxes that they want to pay, i.e., not paying for the war in Vietnam?

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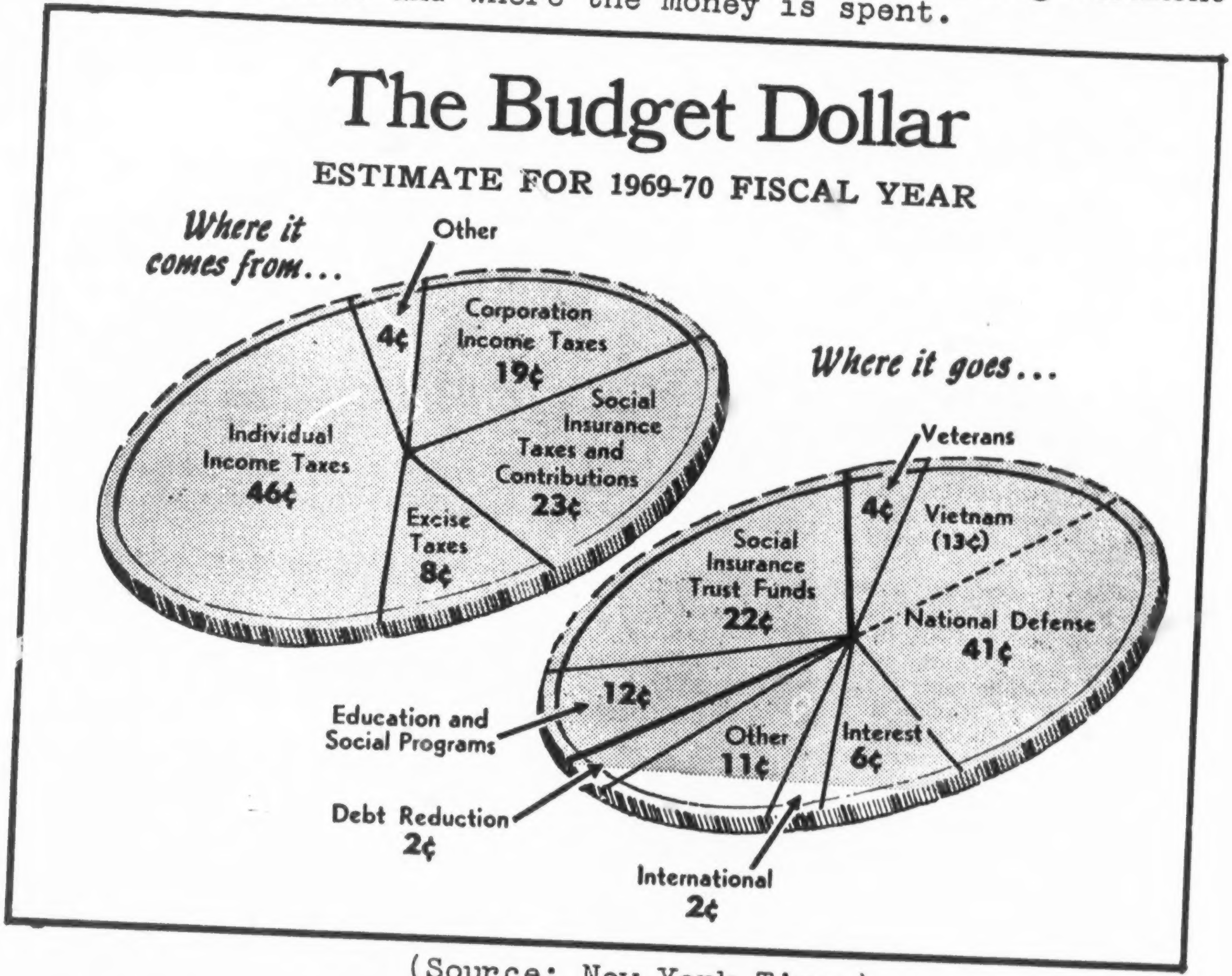
*Recommended for Students Achieving Below Grade Level.

6. Use the graphs below to discover how our federal government gets its income and where the money is spent.

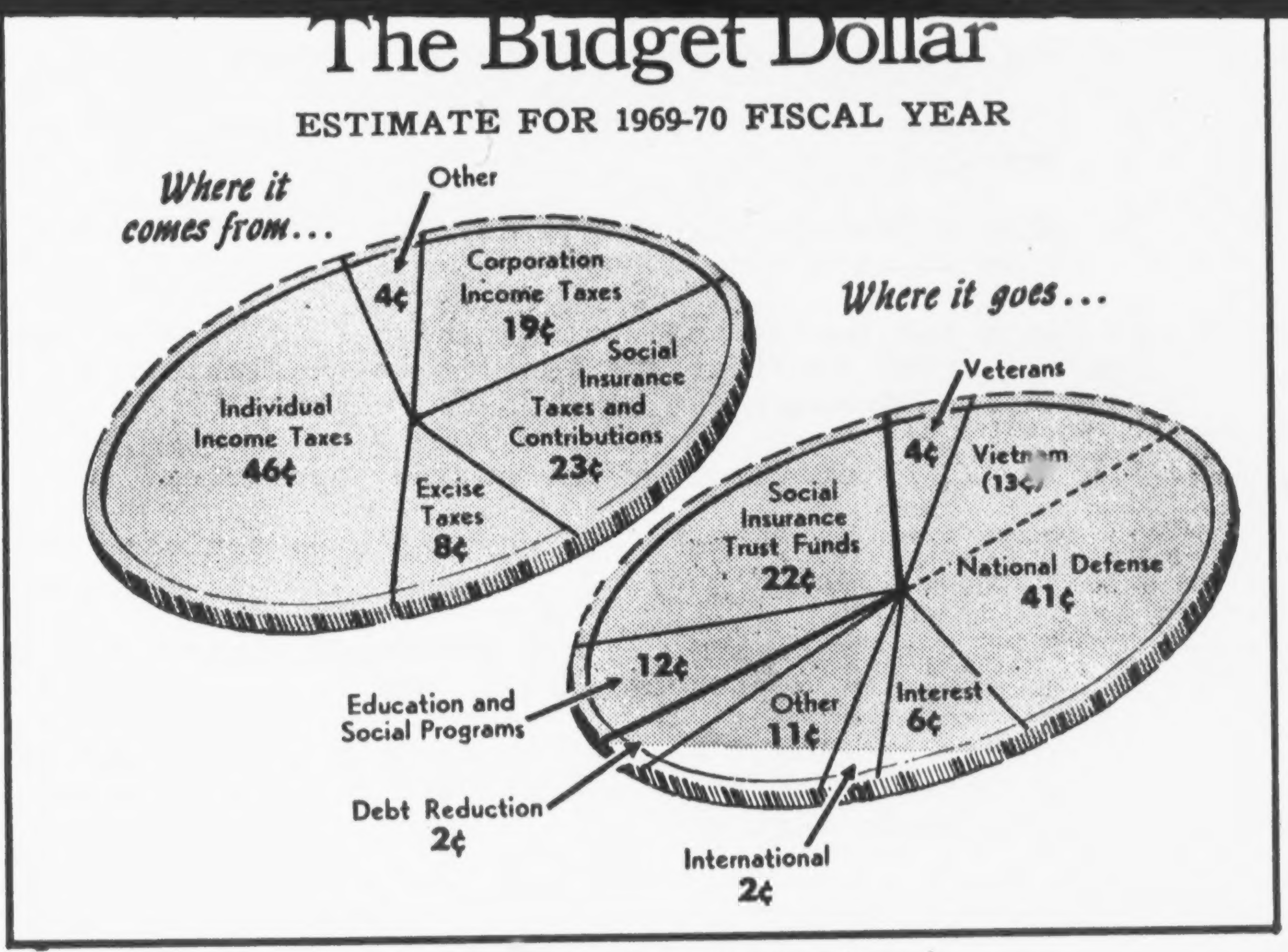


(Source: New York Times)

Questions for Inquiry and Discovery

1. What are the major sources of federal revenue?
2. What are the major sources of expenditure?
3. Which area of expenditure is increasing at the fastest rate? Why?
4. Why have government expenditures gone up each year since 1960?
5. How does the budget give us a clue to national priorities?
6. In 1969-70, what were the major priorities?
7. What do you feel should be our priorities? Why?

*8. Compare the federal budget with



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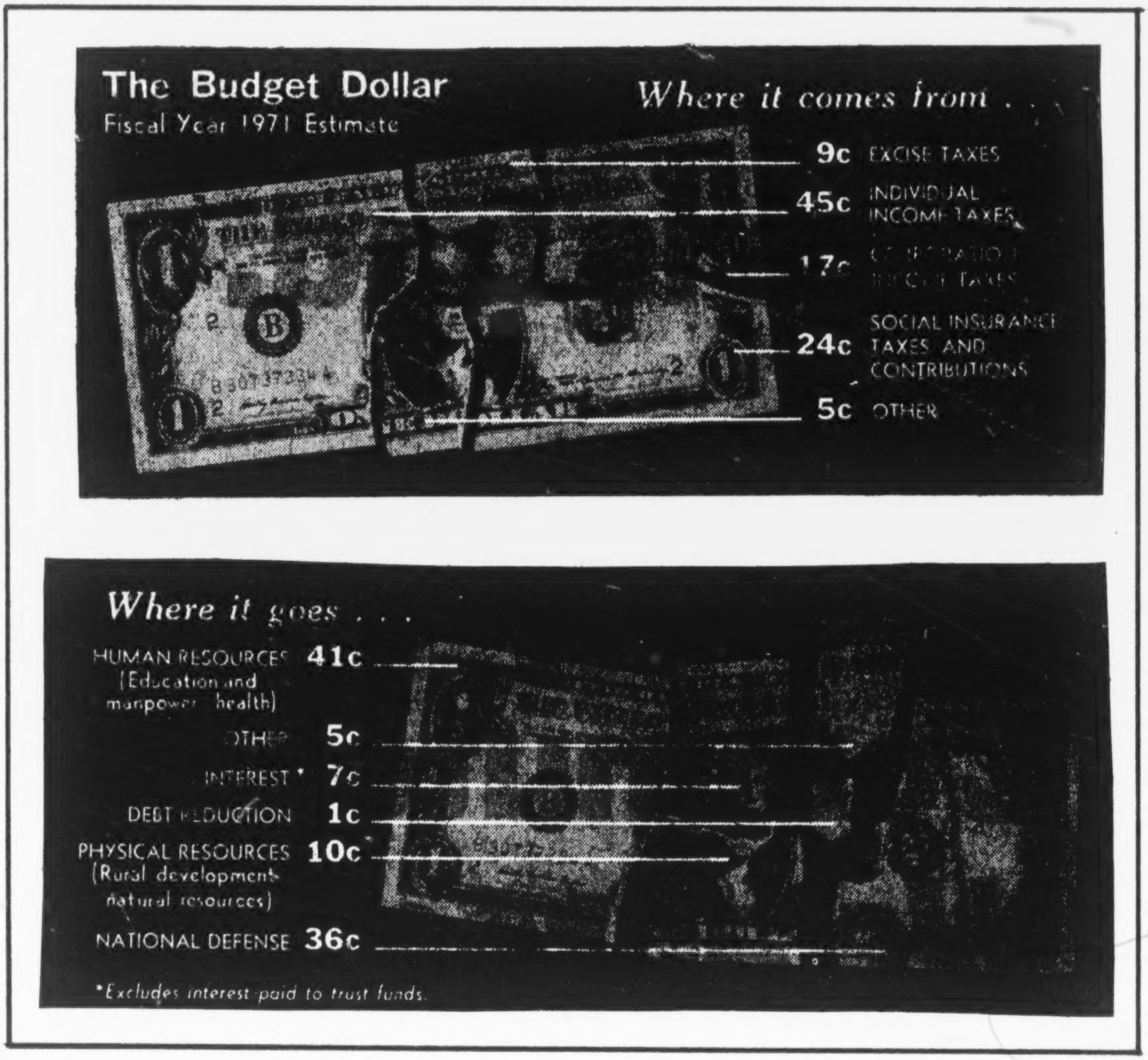
6. In 1969-70, what were the major priorities?
7. What do you feel should be our priorities? Why?

*8. Compare the federal budget with the G.O. budget. What are the priorities of the school? Of the nation?

Follow-up Activity

Use the illustration below to compare the Johnson and Nixon budgets.

*Recommended for Students Achieving Below Grade Level.



(Source: New York Times, 1970)

Questions for Discussion

1. How has the Nixon administration changed the order of national priorities?

2. Do you feel he is right? Why?

THEME IV: ECONOMIC GROWTH AND STABILITY

Selected Bibliography - for High School Students

N = Non-Fiction

B = Biography

Class	Author	Title	Publisher	Date
N	Alexander, Robert	Primer of Economic Development	MacMillan	1962
N	Allen, F.L.	The Big Change: America Transforms Itself, 1900-1950	Harper	1961
N	Allen, F.L.	Since Yesterday	Bantam	
N	Cox, et al.	Problems in American History - Power and Prosperity - Challenge and Promise	Wiley	1969
N	Daugherty, Marion	Understanding Economic Growth	Scott, Foresman	
N		The Mystery of Economic Growth	Federal Reserve Bank, Philadelphia	
N		The National Debt	Federal Reserve Bank, Philadelphia	
N		Keeping Your Money Healthy	Federal Reserve Bank, New York	1966
N	Galbraith, John K.	The Great Crash: 1929	Houghton Mifflin	1961
N	Heilbroner, Robert	A Primer on Government Spending	Random House	1963
N	Heilbroner, Robert	Great Ascent	Harper	1963
B	Lekachman, Robert	The Age of Keynes	Random House	
N	Merrill and Halsey	Responses to Economic Collapse: The Great Depression of the	Heath	1964

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B	Lekachman, Robert	The Age of Keynes	Random House	
N	Merrill and Halsey	Responses to Economic Collapse: The Great Depression of the 1930's	Heath	1964
N	Meltzer, Milton	Brother Can You Spare A Dime	Knopf	1968
N	Neal, Harry	Money	Messner	1967
N	Shannon, D.A. (ed.)	The Great Depression	Prentice-Hall	1960
N	Sperling, John	Great Depressions	Scott, Foresman	1966
N		Money, Master or Servant	Federal Reserve Bank, New York	1967
N	Werstein, Irving	A Nation Fights Back: The Depression And Its Aftermath	Messner	1962

Selected Bibliography for Teachers

Baldwin, Robert	Economic Development and Growth	Wiley	1966
Bator, Francis	Question of Government Spending	Harper	1960
Bernstein, Peter L.	A Primer on Money, Banking and Gold	Random House	1965
Duesenberry, James	Money and Credit	Prentice-Hall	1964
Friedman, Milton & Walter Heller	Monetary vs. Fiscal Policy	Norton	1969
Heller, Walter W.	New Dimensions of Political Economy	Harvard University	1966
Lundberg, Erik	Instability and Economic Growth	Yale	1968
Peterson, Wallace	Income, Employment & Economic Growth	Norton	1967
Phelps, Edmund (ed.)	Private Wants and Public System	Norton	1965
Prochnow, Herbert (ed.)	Federal Reserve System	Harper	1960
Rostow, W. W.	The Stages of Economic Growth: Non-Communist Manifesto	Cambridge University	1960
Sayre, J. W.	Taxation	Watts	1963
Steinberg, David	The U.S.A. in the World Economy	McGraw-Hill	1966
Theobald, Robert, (ed.)	Committed Spending: A Road to Economic Security	Doubleday	1968
Theobald, Robert, (ed.)	Social Policies for America in The Seventies: Nine Divergent Views	Doubleday	1969
Terkel, Studs	Hard Times - Oral History of the Great Depression	Pantheon	1970

Audio-Visual Materials

Films

	Can the Earth Provide	McGraw-Hill
108.94	Case for Competition	Audio-Visual Instruction
	Grapes of Wrath	Brandon Films
	Goals and Growths, Program I	Carousel Films
	Inflation	Encyclopedia Britannica Films
	The Federal Reserve System: Origin, Purpose and Function	Encyclopedia Britannica Films
	Manage Your Money	American Bankers Association
534.15	Science of Money	
	Search for Stability	Carousel Films
BAVI	The Golden Twenties	
	The Great Depression	Holt, Rinehart
	The River	
BAVI	The '29 Boom and '30's Depression	McGraw-Hill
	Our National Economy	Audio-Visual Center; Indiana University

Filmstrips

	Banking and Monetary Control: Series II	McGraw-Hill
	Business Cycles and Fiscal Policy: Series II	McGraw-Hill
	Controlling Business Cycles	McGraw-Hill
50380.13	Great Depression and the New Deal	

	Can the Earth Provide	McGraw-Hill
108.94	Case for Competition	Audio-Visual Instruction
	Grapes of Wrath	Brandon Films
	Goals and Growths, Program I	Carousel Films
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	Controlling Business Cycles	McGraw-Hill
50380.13	Great Depression and the New Deal	
45600.12	Gross National Product	McGraw-Hill
45600.13	Index Numbers and Economic Statistics	
	National Income	McGraw-Hill
45600.14	Inflation and You	McGraw-Hill
	Our Money System	Federal Reserve Bank, New York
43407.12	Roaring Twenties	
	Role of the Commercial Banking System	Joint Council on Economic Education
	Role of the Federal Reserve System - The Credit Market	
	Inflation and the Standard of Living	Current Affairs Films
	The Value of Your Dollar	Current Affairs Films

Kits

The Great Depression 1929-1939	Guidance Associates
The Reckless Years (1919-1929)	Guidance Associates
Our Credit Economy	Guidance Associates
Our Money System	Guidance Associates

Transparencies

The Great Depression #8427	Hammond

Records

Songs from the Depression	Folkway LP, FH5264
I Can Hear It Now	Columbia Records

Simulation Games

Panic	Interact

THEME V: ECONOMICS OF THE METROPOLITAN REGION - CASE STUDY - NEW YORK METROPOLITAN AREA

Introduction

The decade of the '70's will see the growth of regionalism throughout the United States. With it we note the growing economic relationships between cities and their surrounding areas. These changes present the challenge of resolving a wide range of problems.

The activities in this unit are designed to allow students to use New York City as a case study of the nature of the economic problems faced by cities across the nation. Teachers may wish to use materials in this unit as case studies for Themes I-IV. Additional material may be found in the Social Studies Bulletin Grade 8 - Urban Studies - Challenges of a Changing Society.

In this theme activities are centered around three significant problems.

I. What changes are affecting the economy of the New York Metropolitan area?

II. How can changes in industry and employment affect the city?

III. How well does the city provide for the good qualities of life?

I. WHAT CHANGES ARE AFFECTING THE ECONOMY OF THE NEW YORK METROPOLITAN AREA?

Emphases: The movement of people into and out of the city has changed the ethnic and racial mix of New York.

New York's socio-economic problems are, in part, an outgrowth of population shifts.

A. Using a sound filmstrip to introduce the problems of cities.

Teachers can use the sound filmstrip Cities, U.S.A., Guidance Associates/Harcourt, Brace and World, to introduce many of the issues of Theme V.

Questions Before Viewing

1. Why do people come to New York City?

2. What major problems do we face in the City of New York?

3. Vocabulary - Megalopolis

Metropolitan Area

Pollution

Demonstration Cities

Questions for Inquiry and Discovery (after viewing)

1. What have been the main reasons for the growth of cities?

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   Demonstration Cities

Questions for Inquiry and Discovery (after viewing)

1. What have been the main reasons for the growth of cities?

2. How has industrialization created new problems for our cities?

3. What is being done to meet some of these problems?

4. Why is the New York Metropolitan area located where it is?

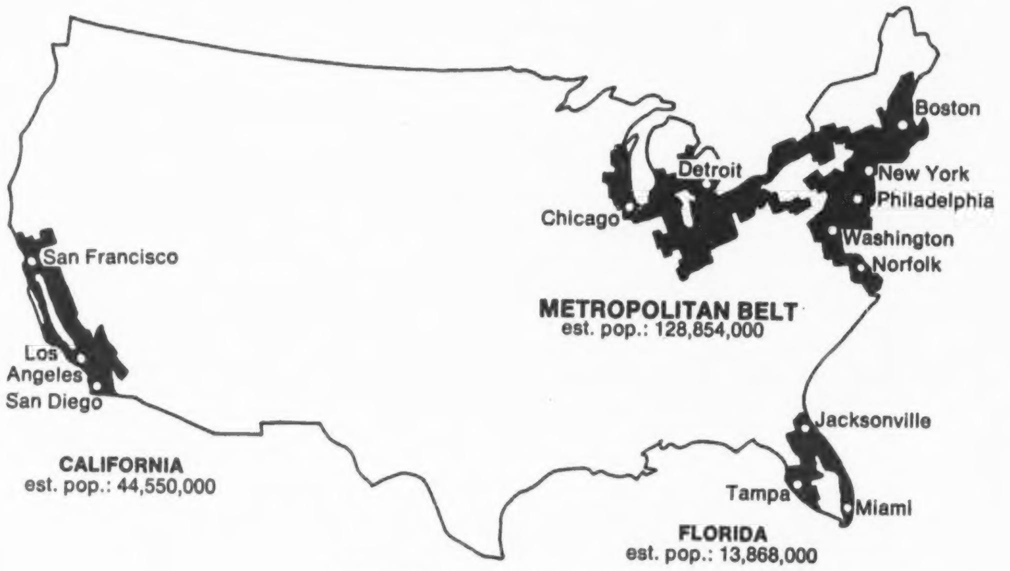
5. Which issues in the film have greatest relevance to New York City? Why?

Questions for Discussion

1. Under what circumstances might a megalopolis be desirable? Undesirable? Why?
2. Where should the major responsibility rest for solving the problems of cities? Federal, state, or local government? Industry?
3. What recommendations would you make for dealing with problems of megalopolis?

Follow-up Activities

1. Use the map below to show the trends toward megalopolis and the problems they might pose.


Boston
Detroit
New York
Philadelphia
Chicago
Washington
Norfolk
San Francisco
METROPOLITAN BELT
est. pop.: 128,854,000
Los Angeles
San Diego
Jacksonville
CALIFORNIA
est. pop.: 44,550,000
Tampa
Miami
FLORIDA
est. pop.: 13,868,000

Major Urban Centers and Developing Megalopolises in the United States. ***Source: First National City Bank.***

Questions for Inquiry and Discovery

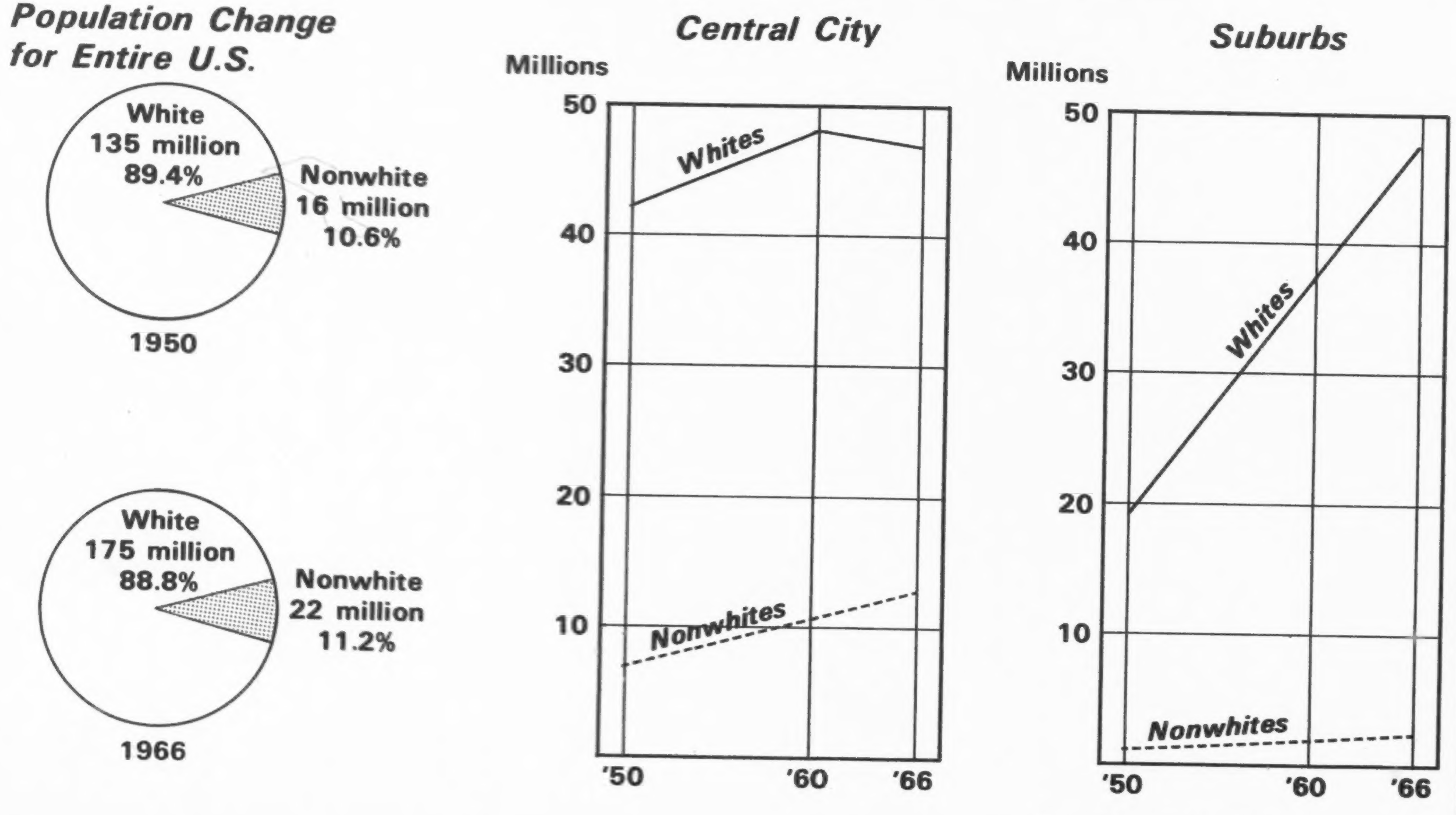
1. What is a megalopolis?
2. What core cities will serve the three major megalopolis areas?
3. Why are people and industry attracted to these areas?
4. What problems have developed as core cities and suburbs have grown more complex?

Questions for Discussion

1. Should core cities have a responsibility to the suburbs? Why?
2. Should business and residents of suburbs bear some of the responsibilities of the core city? Why?
3. What problems of super cities may have to be solved in your lifetime? How might you deal with them?

2. The following graph can be used to show the changing population trends and raise questions about the significance of these changes.

Changing Population of U.S. Cities and Suburbs



Source: Bureau of the Census

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IT TRUE?
eck the statements
t are supported
the above graphs.

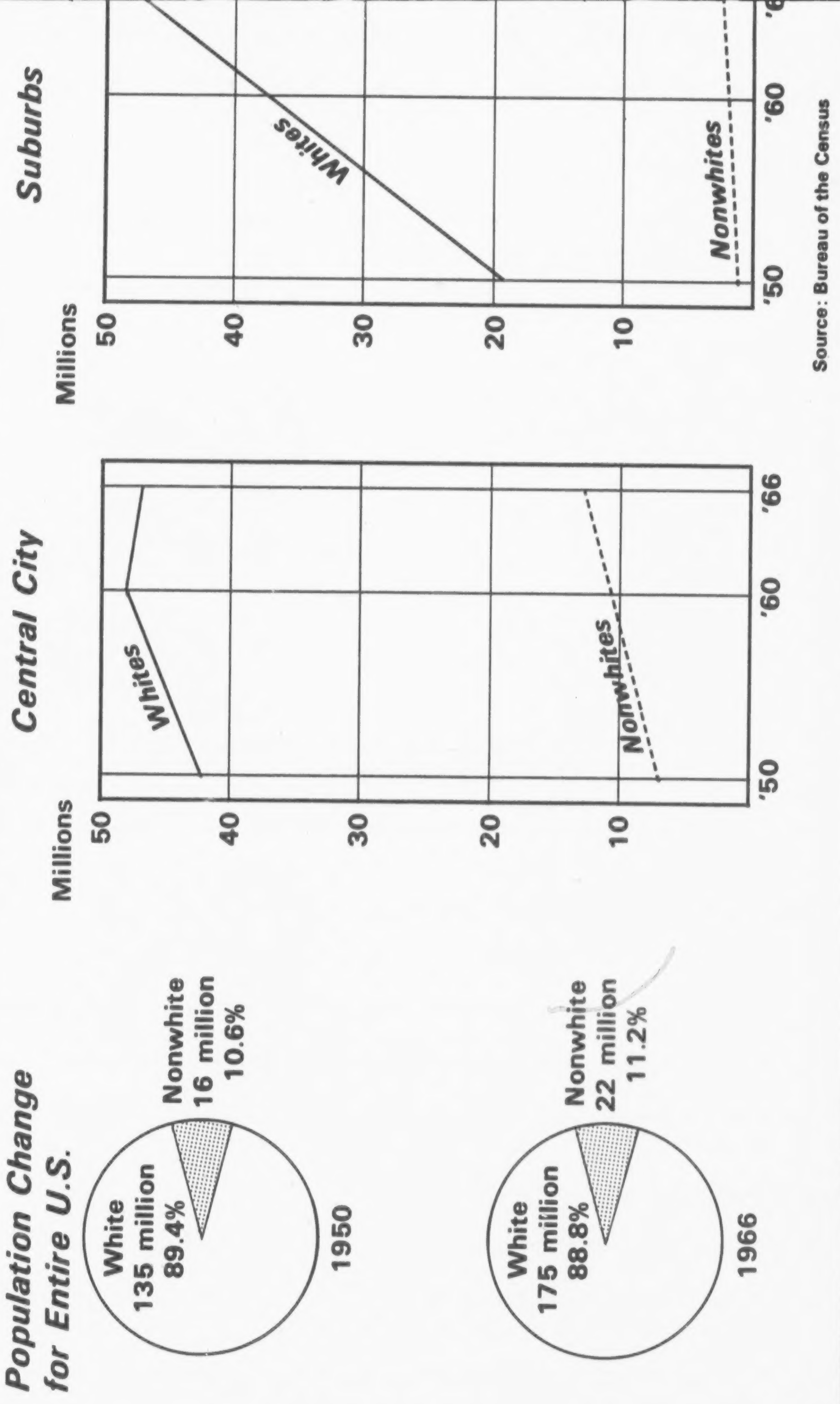
. . . 1. The nonwhite population of the U.S. is growing faster than the white population.

. . . 2. The white population has been growing at an equal rate in the cities and in the country as a whole.

. . . 3. Over half of the nonwhites in the United States live in the cities.

. . . 4. The most dramatic population growth has been among nonwhites in the suburbs.

Changing Population of U.S. Cities and Suburbs



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Questions for Discussion

1. How can these population changes affect the cost of financing government of central cities? How does it affect income and expenses of central cities?

2. What long range problems are suggested by these graphs?

3. How would you plan ahead to meet these problems?

4. Should steps be taken to prevent these problems before they become unsolvable?

Questions for Discussion

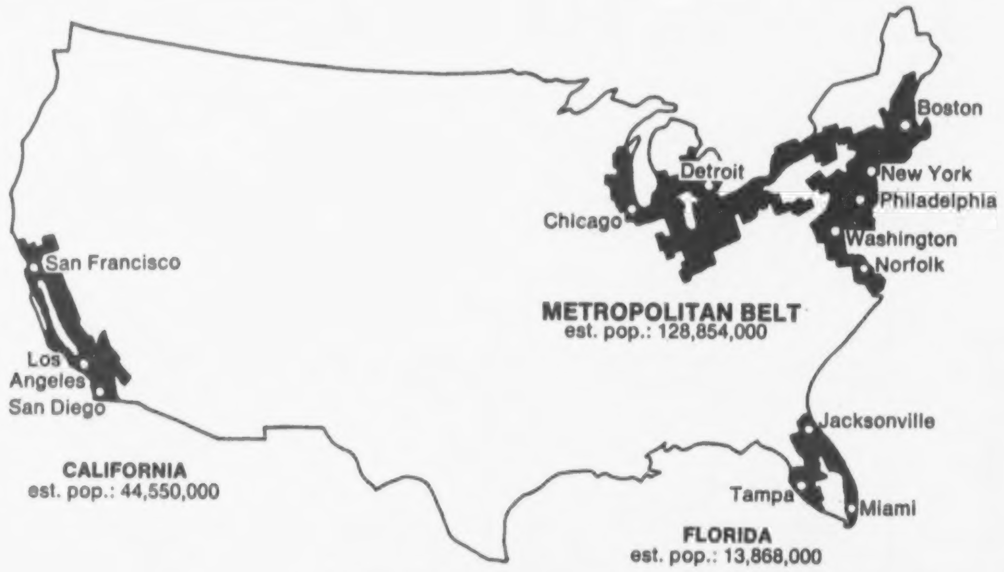
1. Under what circumstances might a megalopolis be desirable? Undesirable? Why?

2. Where should the major responsibility rest for solving the problems of cities? Federal, state, or local government? Industry?

3. What recommendations would you make for dealing with problems of megalopolis?

Follow-up Activities

1. Use the map below to show the trends toward megalopolis and the problems they might pose.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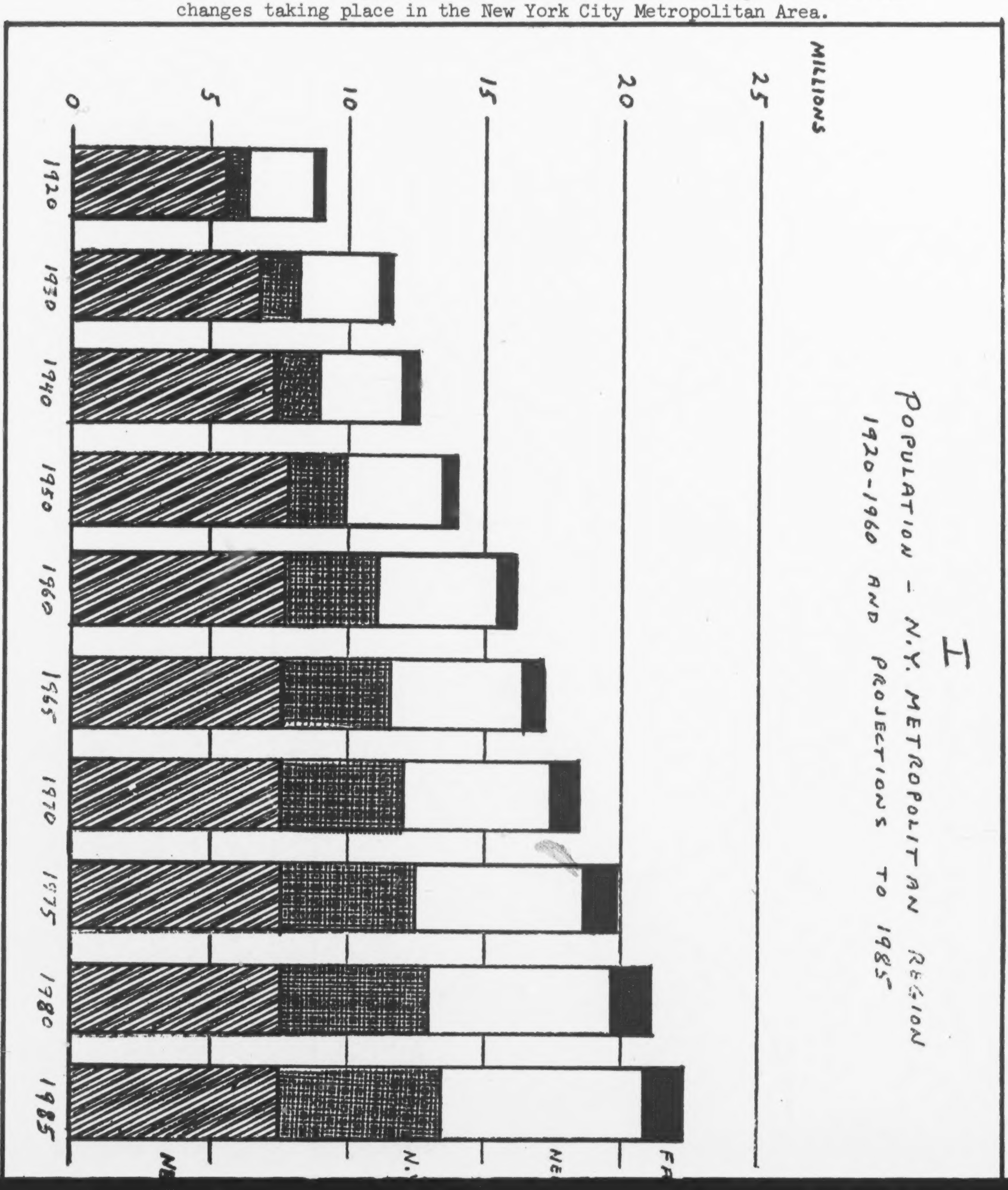
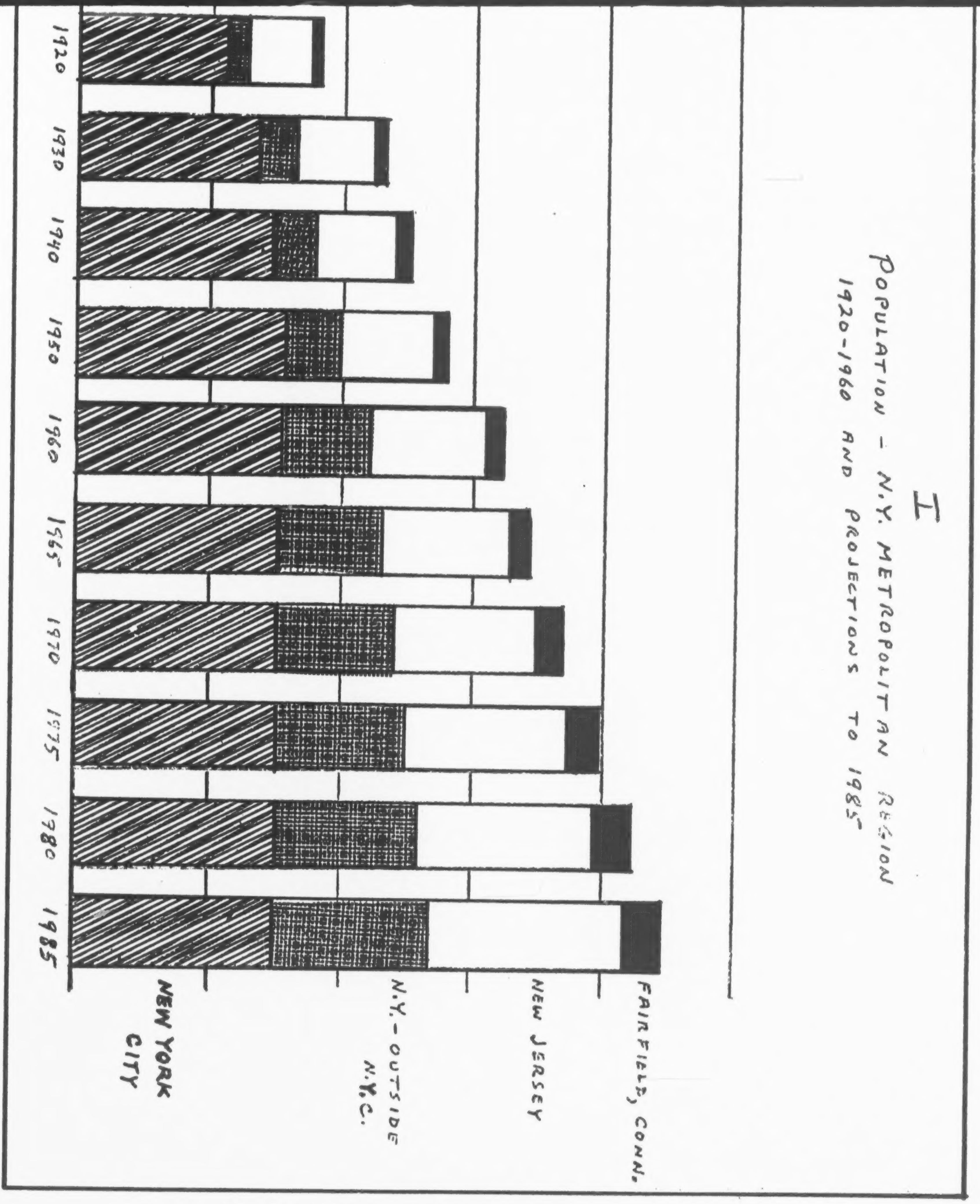
3. Have students compare the national trends in the graph above to the changes taking place in the New York City Metropolitan Area.



I

POPULATION - N.Y. METROPOLITAN REGION 1920-1960 AND PROJECTIONS TO 1985



I

POPULATION - N.Y. METROPOLITAN REGION
1920-1960 AND PROJECTIONS TO 1985

Questions for Inquiry and Discovery

1. What changes have been taking place in the total New York City population? What are the projections for New York's population?

2. What changes are taking place in the suburbs of New York? What are the projections?

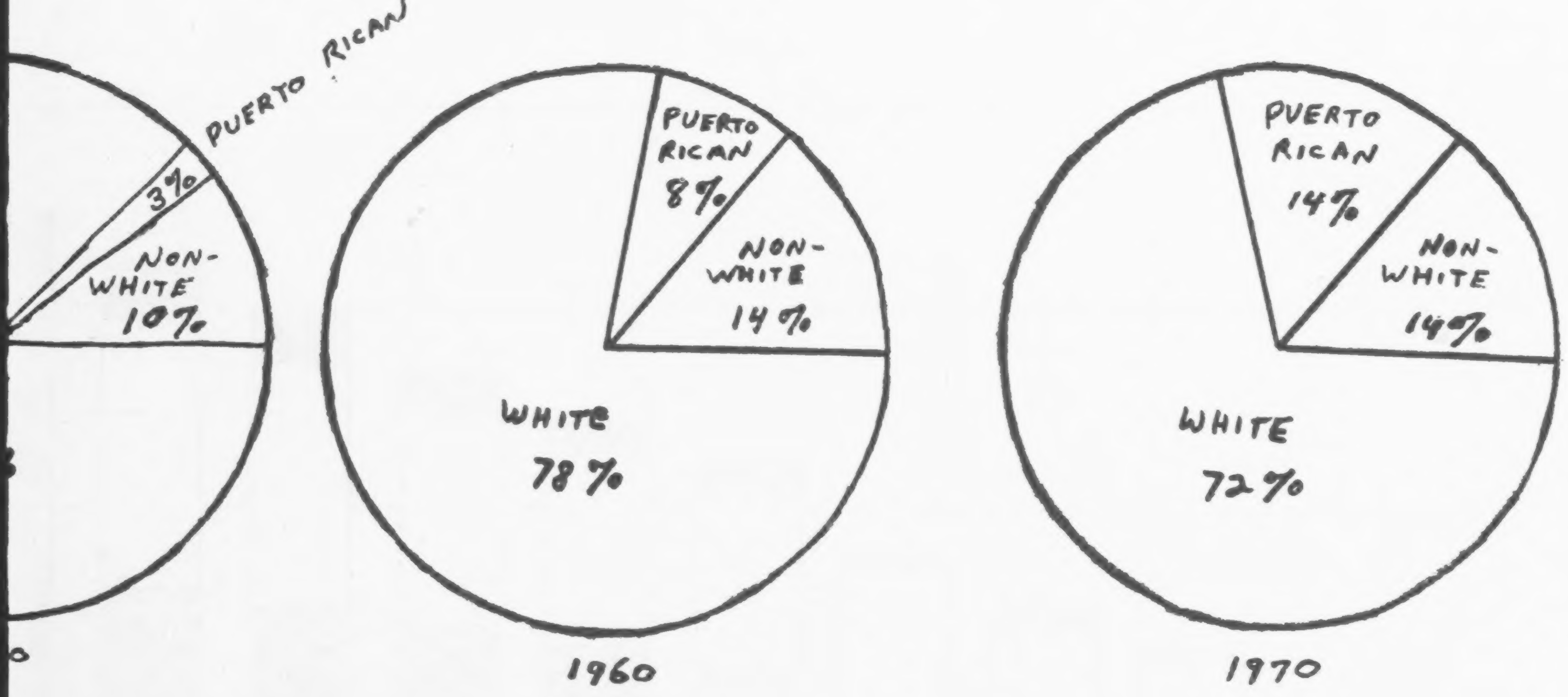
3. How do these figures compare to the national trends?

4. What hypotheses can you formulate about the economic relationship between New York City and the rest of the Metropolitan area?

5. What hypotheses can you formulate about the economic problems these relationships can create?

II

ETHNIC COMPOSITION OF N.Y. CITY POPULATION
1950, 1960, ESTIMATED 1970



N.Y. CITY POPULATION 1960

WHITE ----- 6,052,959
NON-WHITE --- 1,116,451
PUERTO RICAN - 612,574

TOTAL (1960) - 7,781,984

TOTAL - 7,964,000

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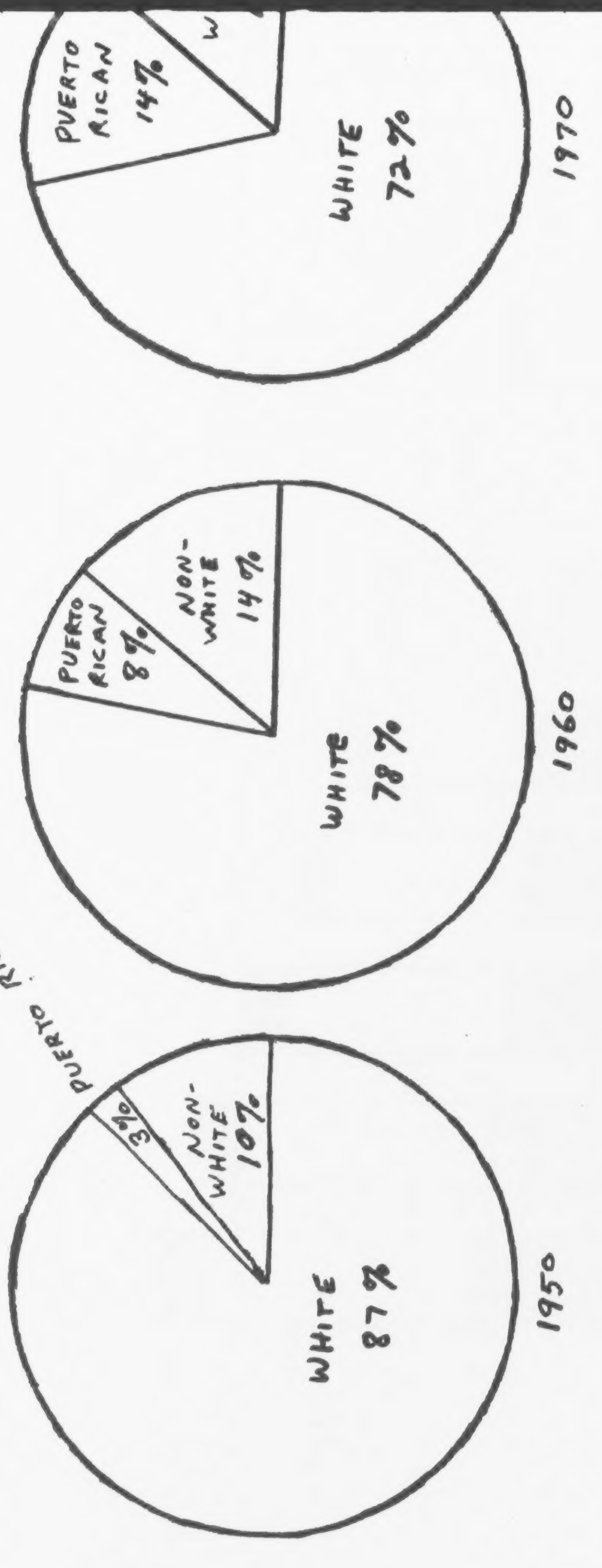

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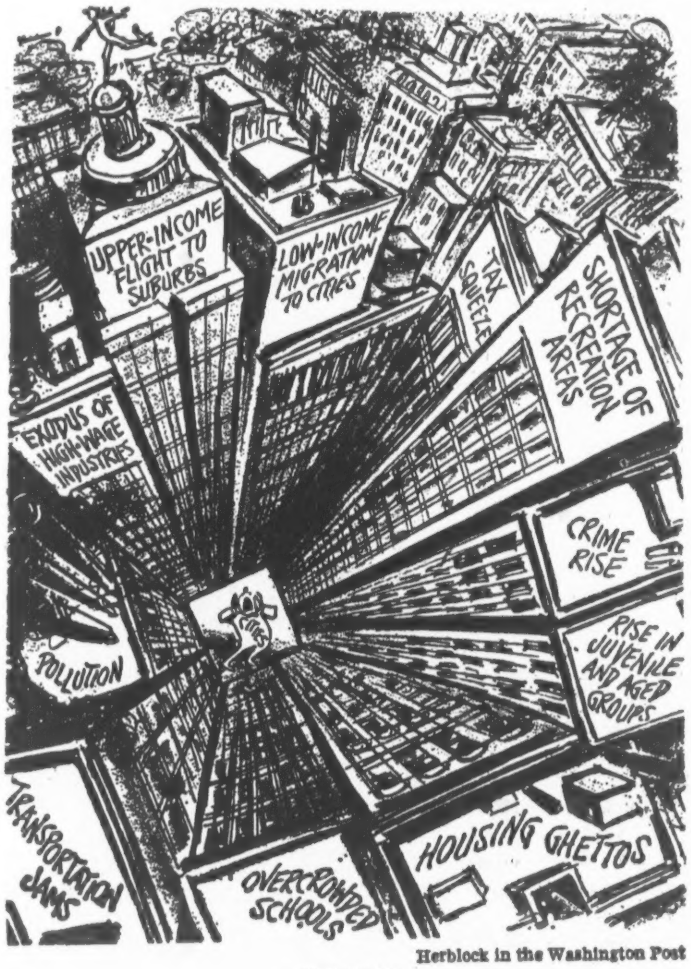
Questions for Inquiry and Discovery

1. What trends are evident for the white population of New York City? Non-white? Puerto Rican?
2. How do these trends compare to what is taking place nationally?
3. What hypothesis can you make about the effect of these population trends?
4. How do these projections compare to the 1970 census figures?

4. The cartoon below can be used to develop an overview of New York City's socio-economic problems.


UPPER-INCOME FLIGHT TO SUBURBS
LOW-INCOME MIGRATION TO CITIES
TAX SQUEEZE
SHORTAGE OF RECREATION AREAS
EXODUS OF HIGH-WAGE INDUSTRIES
CRIME RISE
CITIES
RISE IN JUVENILE AND AGED GROUPS
POLLUTION
TRANSPORTATION JAMS
OVERCROWDED SCHOOLS
HOUSING GHETTOS

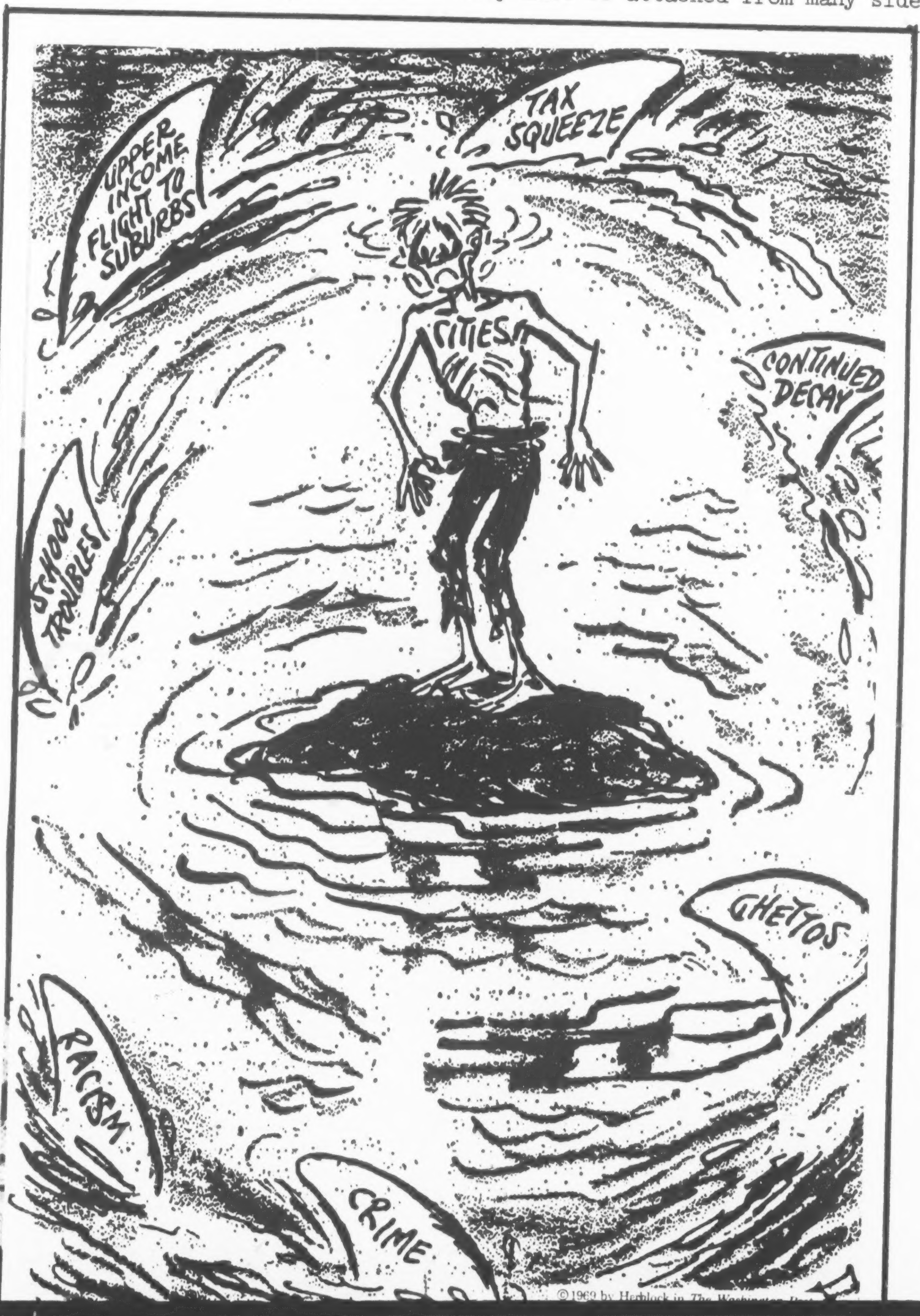
Herblock in the Washington Post

"Help!"

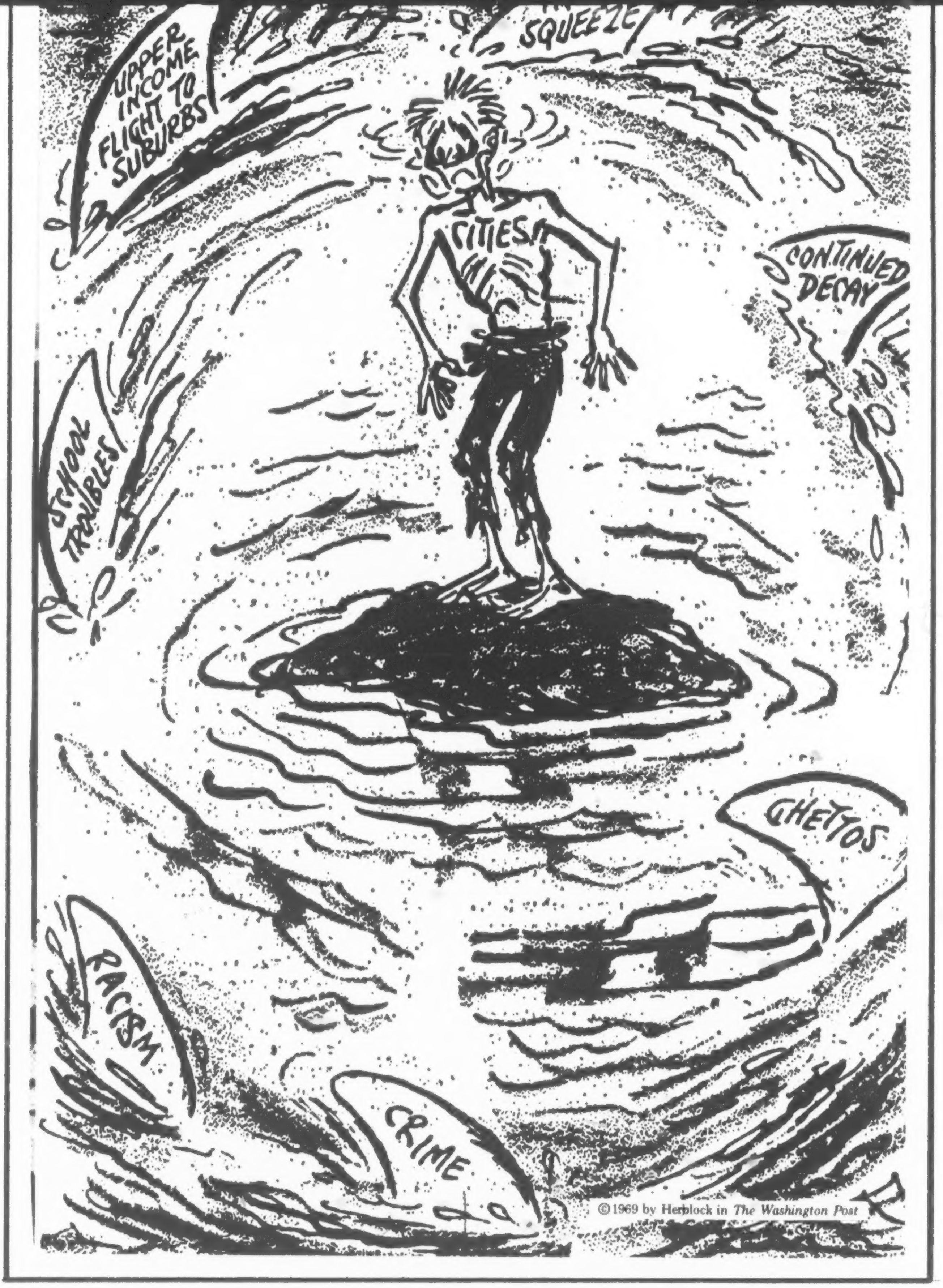
Questions for Inquiry and Discovery

1. How does the movement of various income groups in and out of the city affect its economic life?
2. How does the movement of industry affect the growth of New York?
3. What problems related to the use of space does the cartoon develop?
4. How are these problems interrelated?
5. Which problem would you want to solve first? Why?

*5. Use the cartoon below to develop the understanding that many problems of the city are interrelated and they must be attacked from many sides.


UPPER INCOME FLIGHT TO SUBURBS
TAX SQUEEZE
CITIES
CONTINUED DECAY
SCHOOL TROUBLES
GHETTOS
RACISM
CRIME

© 1969 by Herblock in *The Washington Post*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CITIES
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SCHOOL TROUBLES
GHETTOS
RACISM
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©1969 by Herblock in *The Washington Post*

1. Why is the title of the cartoon "Vicious Cycle?"
2. How is each "shark" related to the others?
3. Why is this vicious cycle harmful to the city?

---

*Recommended for Students Achieving Below Grade Level.

*6. Student Involvement - A Community Study.

Students can survey their neighborhoods or the area in which the school is located to determine the major problems and the priority given to the solution of these problems.

Rate by number from 1-14 what you feel are the most important NEEDS of your area and of New York City

	AREA	N.Y.C.	
A.			POLICE PROTECTION
B.			JOBS
C.			HEALTH CLINICS
D.			MORE AND BETTER HOUSES
E.			PARKS
F.			HOSPITALS
G.			SCHOOLS
H.			SANITATION

		AREA	N.Y.C.
I.	COMMUNITY CENTERS		
J.	MOVIE HOUSES		
K.	TRANSPORTATION (MORE TRAINS AND BUSES)		
L.	ANTI-POVERTY PROGRAMS		
M.	JOB TRAINING		
N.	OTHER		

a) Data can be analyzed by comparing responses of male and female respondents, adults and students.

b) Data can be compared to responses taken in several areas to the responses from the city as a whole.

c) Students can be shown that priorities differ and choices must be made. Choices have a social, political and economic impact.

d) Students can map the community, indicating major problem areas and projects for improvements.

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---

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*7. The following puzzle can be used to develop a vocabulary related to urban affairs. After the puzzle is solved, students can relate the terms to the socio-economic setting of cities.

P	G	B	T	P	N	S	B	P	A	R	K	S	S
O	H	L	G	U	A	U	C	U	B	S	F	T	M
V	E	O	E	S	B	B	K	R	N	E	G	R	O
E	T	C	M	H	R	U	F	I	R	E	S	E	K
R	T	K	I	E	U	R	M	A	Y	O	R	E	E
T	O	X	R	R	G	B	M	F	D	O	X	T	P
Y	T	I	C	D	S	D	R	U	G	S	V	S	O
A	C	K	M	S	F	Z	G	M	Z	D	T	Z	P
M	I	Q	I	E	M	Z	O	E	G	E	T	[illegible]	U
E	T	H	N	C	J	O	B	S	N	R	L	K	L
R	I	O	O	I	D	V	G	E	A	L	A	F	A
I	Z	U	R	L	W	X	M	F	U	G	W	S	T
C	E	S	I	O	Y	E	F	T	S	B	S	N	I
A	N	I	T	P	N	I	I	B	S	L	U	M	O
N	S	N	Y	T	C	O	O	G	D	S	P	Q	N
S	T	G	X	B	N	J	Z	B	T	T	O	O	S

"URBAN SOCIETY" PROBLEM PUZZLE - TRY IT!

CIRCLE THE 30 WORDS DEALING WITH URBAN PROBLEMS. WORDS ARE WRITTEN UP AND DOWN, SIDEWAYS AND DIAGONALLY, AND BACKWARDS.

1. ____________________
2. ____________________
3. ____________________
4. ____________________
5. ____________________
6. ____________________
7. ____________________
8. ____________________
9. ____________________

16. ____________________
17. ____________________
18. ____________________
19. ____________________
20. ____________________
21. ____________________
22. ____________________
23. ____________________
24. ____________________

O H L G U A U C U B S F T M
V E O E S B B K R N E G R O
E T C M H R U F I R E S E K
R T K I E U R M A Y O R E E
T O X R R G B M F D O X T P
Y T I C D S D R U G S V S O
A C K M S F Z G M Z D I Z P
M I Q I E M Z O E G E T [illegible] U
E T H N C J O B S N R L K L
R I O O I D V G E A L A F A
I Z U R L W X M F U G W S T
C E S I O Y E F T S B S N I
A N I T P N I I B S L U M O
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S T G X B N J Z B T T O O S

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22. ____________________
23. ____________________
24. ____________________
25. ____________________
26. ____________________
27. ____________________
28. ____________________
29. ____________________
30. ____________________

8. Teachers may wish to refer to the Social Studies Bulletin, Grade 8 - Urban Growth: Challenges of a Changing Society for additional materials.

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*Recommended for Students Achieving Below Grade Level.

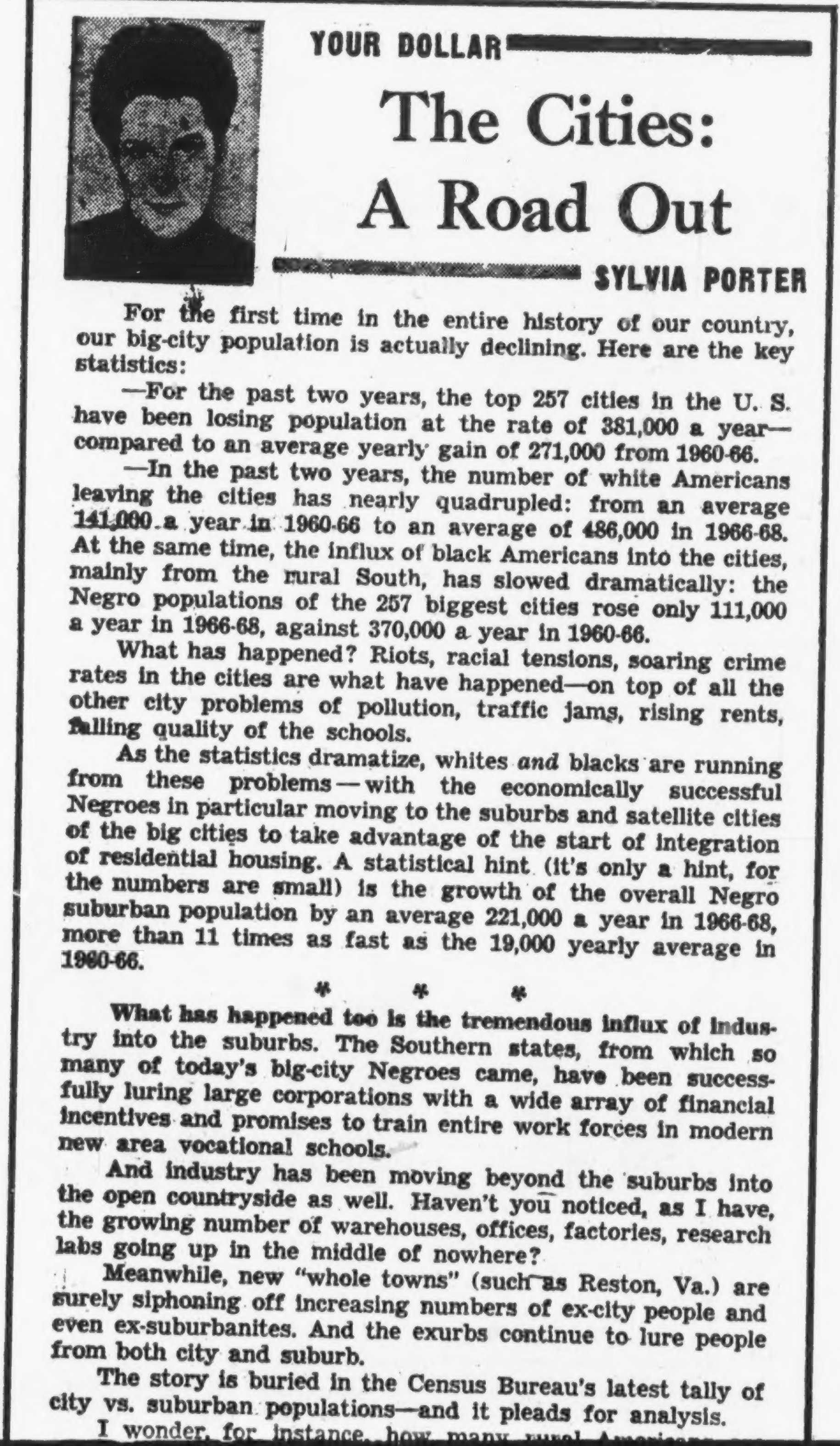
II. HOW DO CHANGES IN INDUSTRY AND EMPLOYMENT AFFECT THE CITY?

Emphases: Changing industrial patterns in New York have altered the patterns of labor and education.

Specific steps must be taken to deal with the problems in the ghetto.

Because of the nature of New York City, living costs are higher than elsewhere in the nation.

A. Using a newspaper column to understand the plight of New York City.



YOUR DOLLAR

The Cities: A Road Out

SYLVIA PORTER

For the first time in the entire history of our country, our big-city population is actually declining. Here are the key statistics:

—For the past two years, the top 257 cities in the U. S. have been losing population at the rate of 381,000 a year—compared to an average yearly gain of 271,000 from 1960-66.

—In the past two years, the number of white Americans leaving the cities has nearly quadrupled: from an average 141,000 a year in 1960-66 to an average of 486,000 in 1966-68. At the same time, the influx of black Americans into the cities, mainly from the rural South, has slowed dramatically: the Negro populations of the 257 biggest cities rose only 111,000 a year in 1966-68, against 370,000 a year in 1960-66.

What has happened? Riots, racial tensions, soaring crime rates in the cities are what have happened—on top of all the other city problems of pollution, traffic jams, rising rents, falling quality of the schools.

As the statistics dramatize, whites *and* blacks are running from these problems—with the economically successful Negroes in particular moving to the suburbs and satellite cities of the big cities to take advantage of the start of integration of residential housing. A statistical hint (it's only a hint, for the numbers are small) is the growth of the overall Negro suburban population by an average 221,000 a year in 1966-68, more than 11 times as fast as the 19,000 yearly average in 1960-66.

* * *

What has happened too is the tremendous influx of industry into the suburbs. The Southern states, from which so many of today's big-city Negroes came, have been successfully luring large corporations with a wide array of financial incentives and promises to train entire work forces in modern new area vocational schools.

And industry has been moving beyond the suburbs into the open countryside as well. Haven't you noticed, as I have, the growing number of warehouses, offices, factories, research labs going up in the middle of nowhere?

Meanwhile, new "whole towns" (such as Reston, Va.) are surely siphoning off increasing numbers of ex-city people and even ex-suburbanites. And the exurbs continue to lure people from both city and suburb.

The story is buried in the Census Bureau's latest tally of city vs. suburban populations—and it pleads for analysis.

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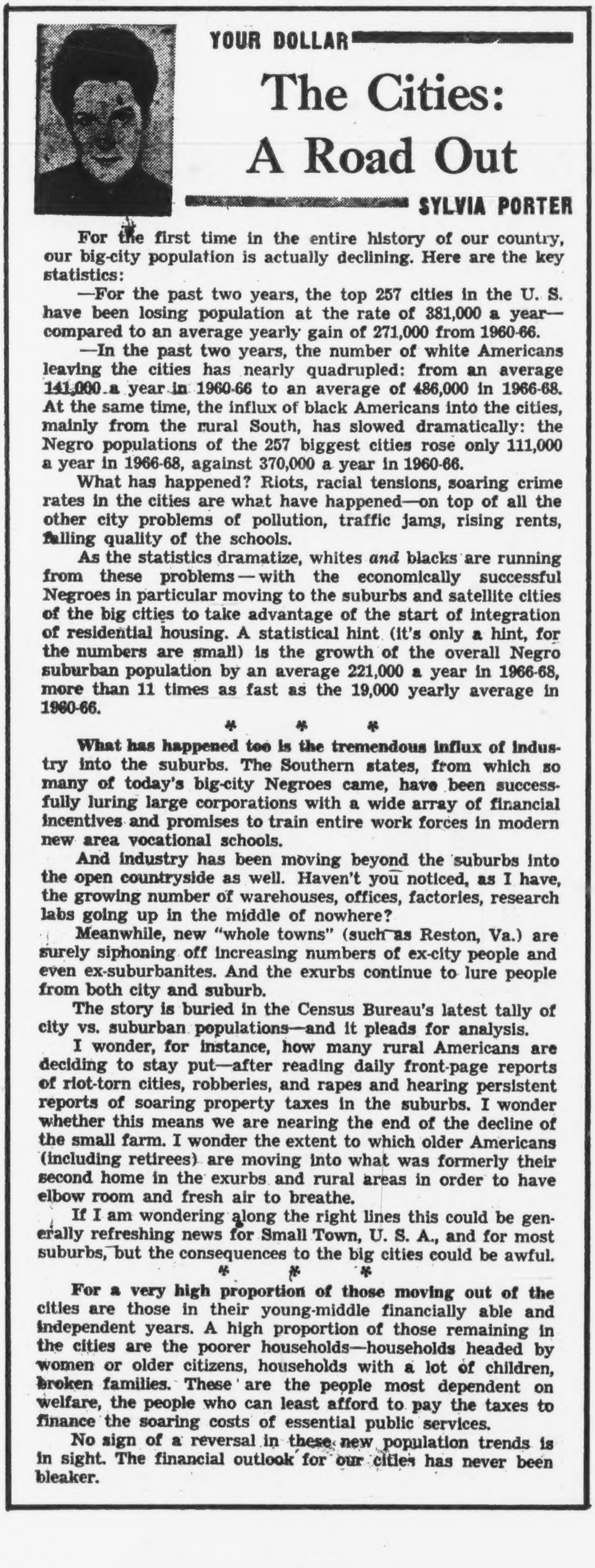

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I wonder, for instance, how many rural Americans are deciding to stay put—after reading daily front-page reports of riot-torn cities, robberies, and rapes and hearing persistent reports of soaring property taxes in the suburbs. I wonder whether this means we are nearing the end of the decline of the small farm. I wonder the extent to which older Americans (including retirees) are moving into what was formerly their second home in the exurbs and rural areas in order to have elbow room and fresh air to breathe.

If I am wondering along the right lines this could be generally refreshing news for Small Town, U. S. A., and for most suburbs, but the consequences to the big cities could be awful.

* * *

For a very high proportion of those moving out of the cities are those in their young-middle financially able and independent years. A high proportion of those remaining in the cities are the poorer households—households headed by women or older citizens, households with a lot of children, broken families. These are the people most dependent on welfare, the people who can least afford to pay the taxes to finance the soaring costs of essential public services.

No sign of a reversal in these new population trends is in sight. The financial outlook for our cities has never been bleaker.

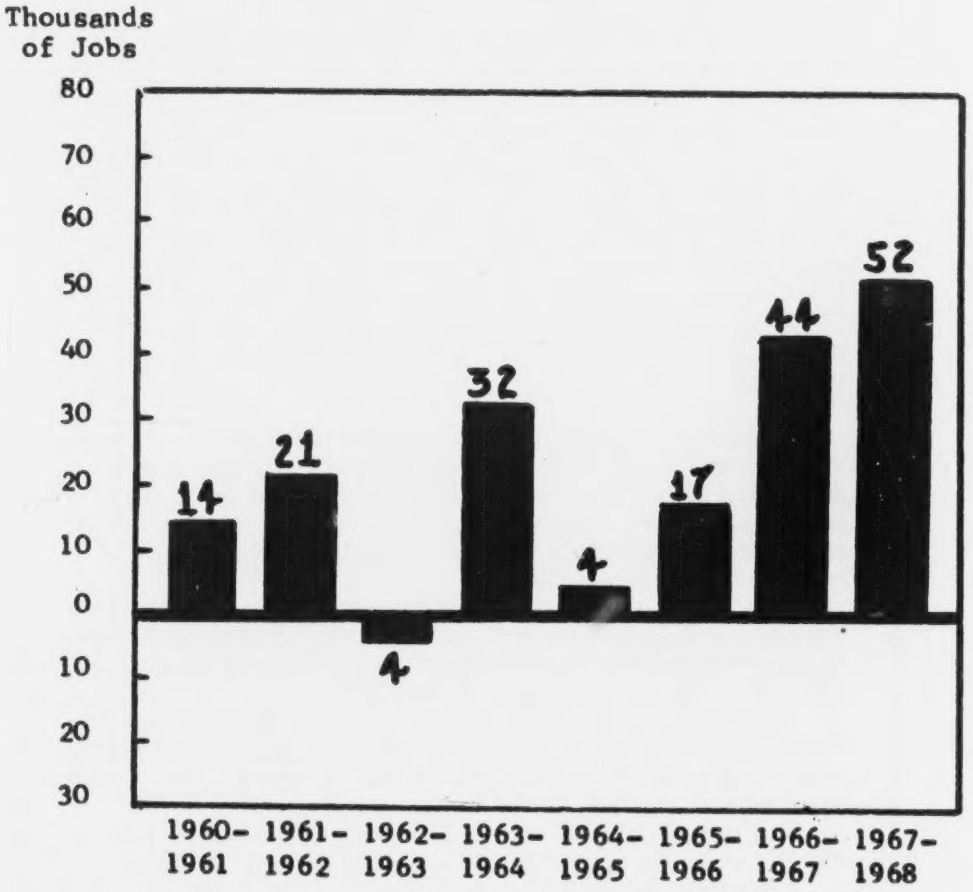
Questions for Inquiry and Discovery

1. Why have people moved from the central city to the suburbs?
2. What effect has this movement had on city housing patterns? City financial problems? Industry?
3. What does the author of the article feel about the future of the cities? Why?
4. What steps would be needed to reverse this trend?

B. Using and analyzing data to learn about the changing patterns of labor in New York City. (Graphs I-V refer to New York City.)

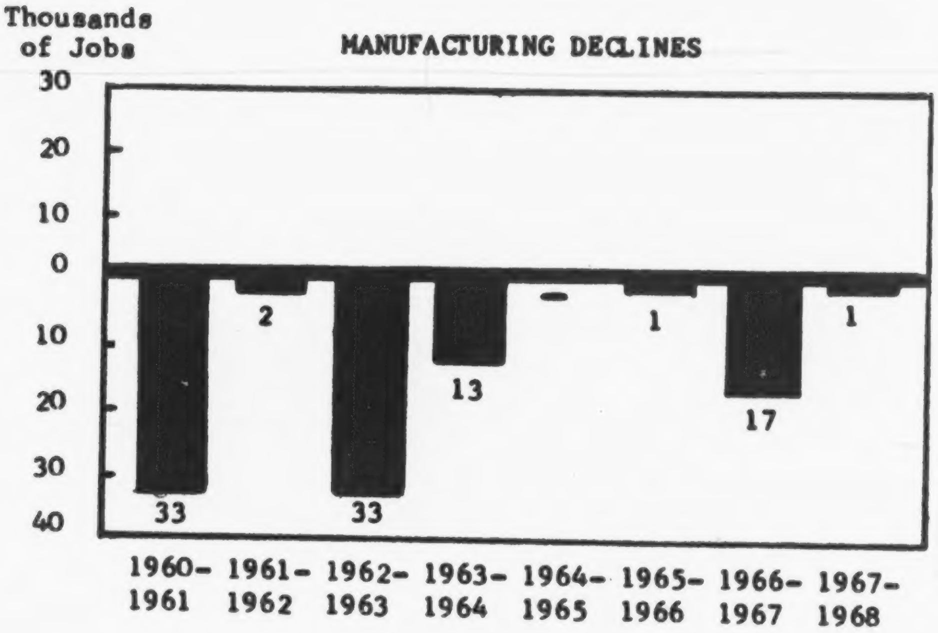
I

EMPLOYMENT CHANGES IN THE PRIVATE NONMANUFACTURING SECTOR, 1960-1968

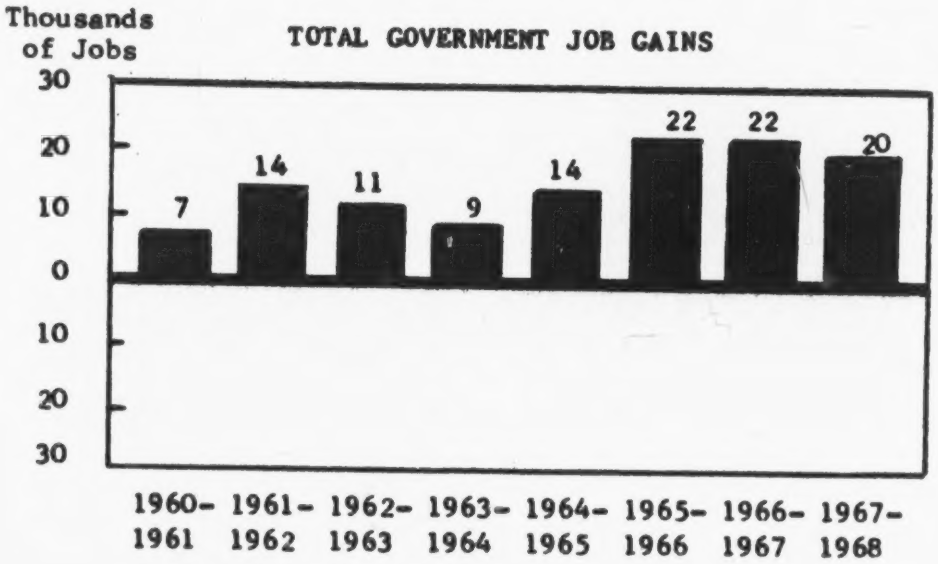


(From Challenges of the Changing Economy of New York City, 1969)
New York City Council on Economic Education

II



III



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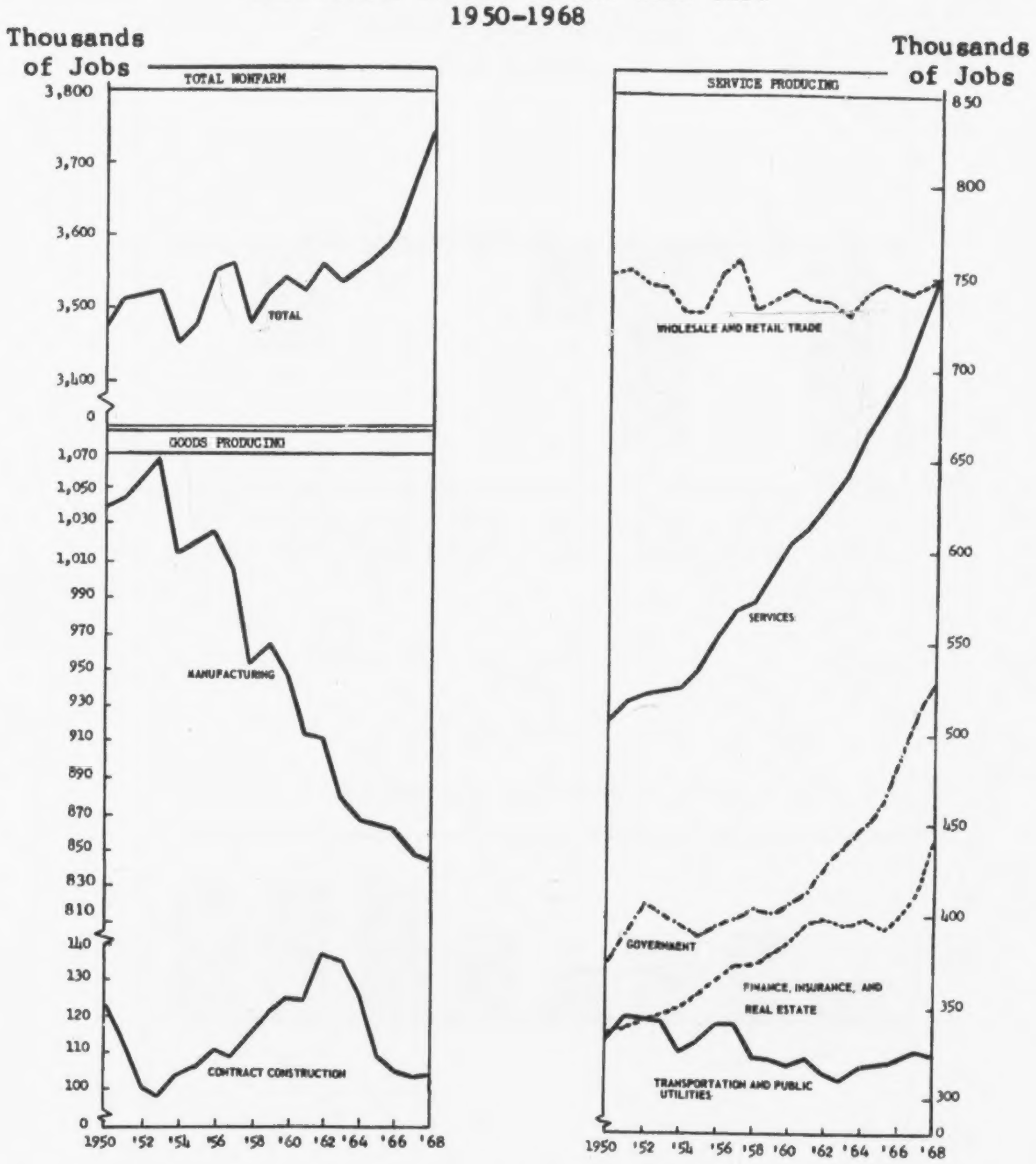
Questions for Inquiry and Discovery

1. What has been the pattern of employment in manufacturing industries in New York City?
2. What changes have taken place in the manufacturing sector?
3. What role does government play in the New York City employment picture?

IV

EMPLOYMENT TRENDS IN NEW YORK CITY
1950-1968



(From Challenges of the Changing Economy of New York City, 1969)
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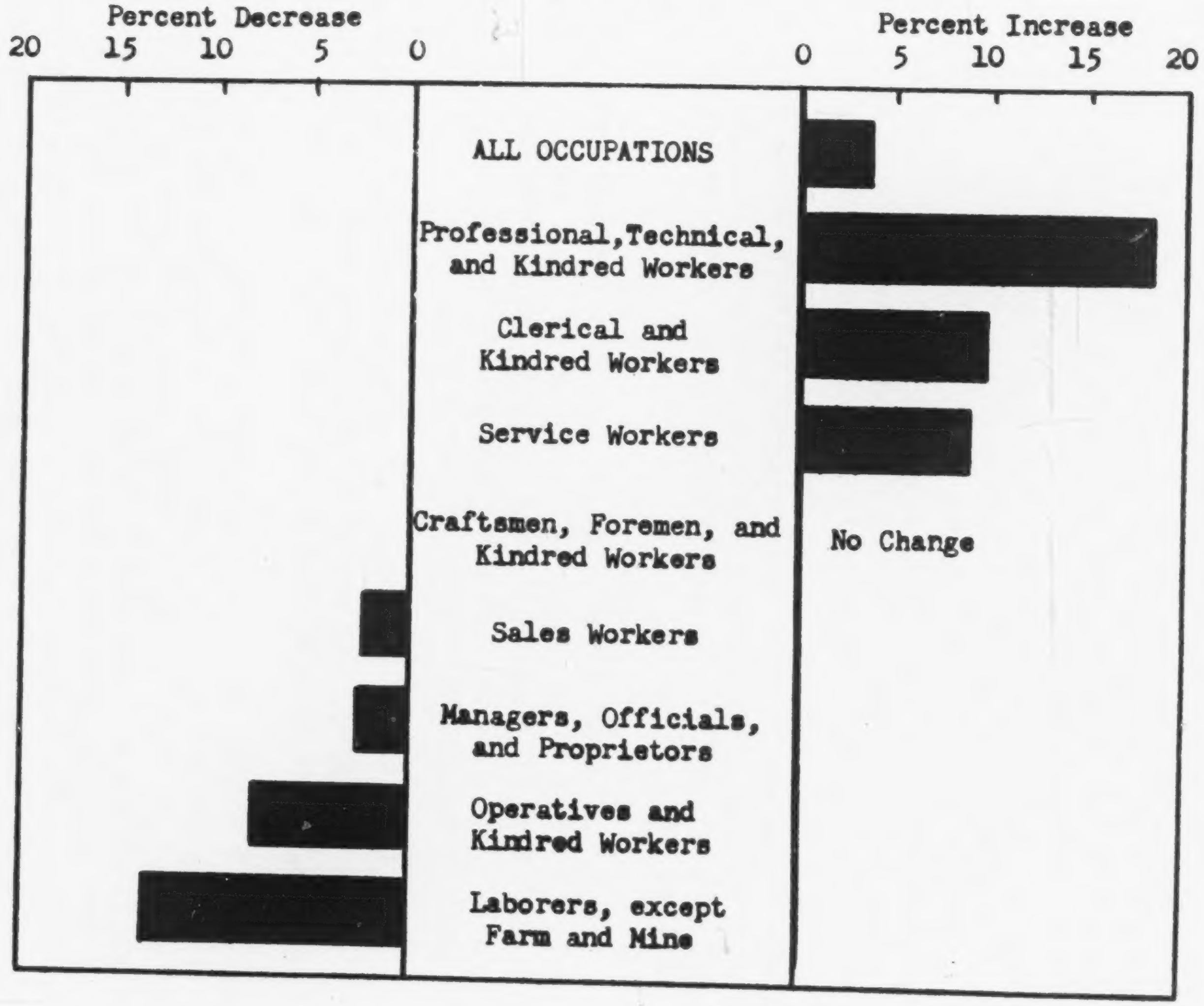
1. If current trends continue, what areas of our local economy will offer the greatest opportunity for employment?
2. What areas will offer the least opportunity of employment?
3. Why are there changes taking place?

JOB INCREASES
N THE NEXT
DECADE WILL
BE LARGELY
N OCCUPATIONS
HARACTERIZED
Y HIGHER
EVELS OF
DUCATIONAL
TTAINMENT

PERCENT CHANGE IN NEW YORK CITY EMPLOYMENT
1965-1975



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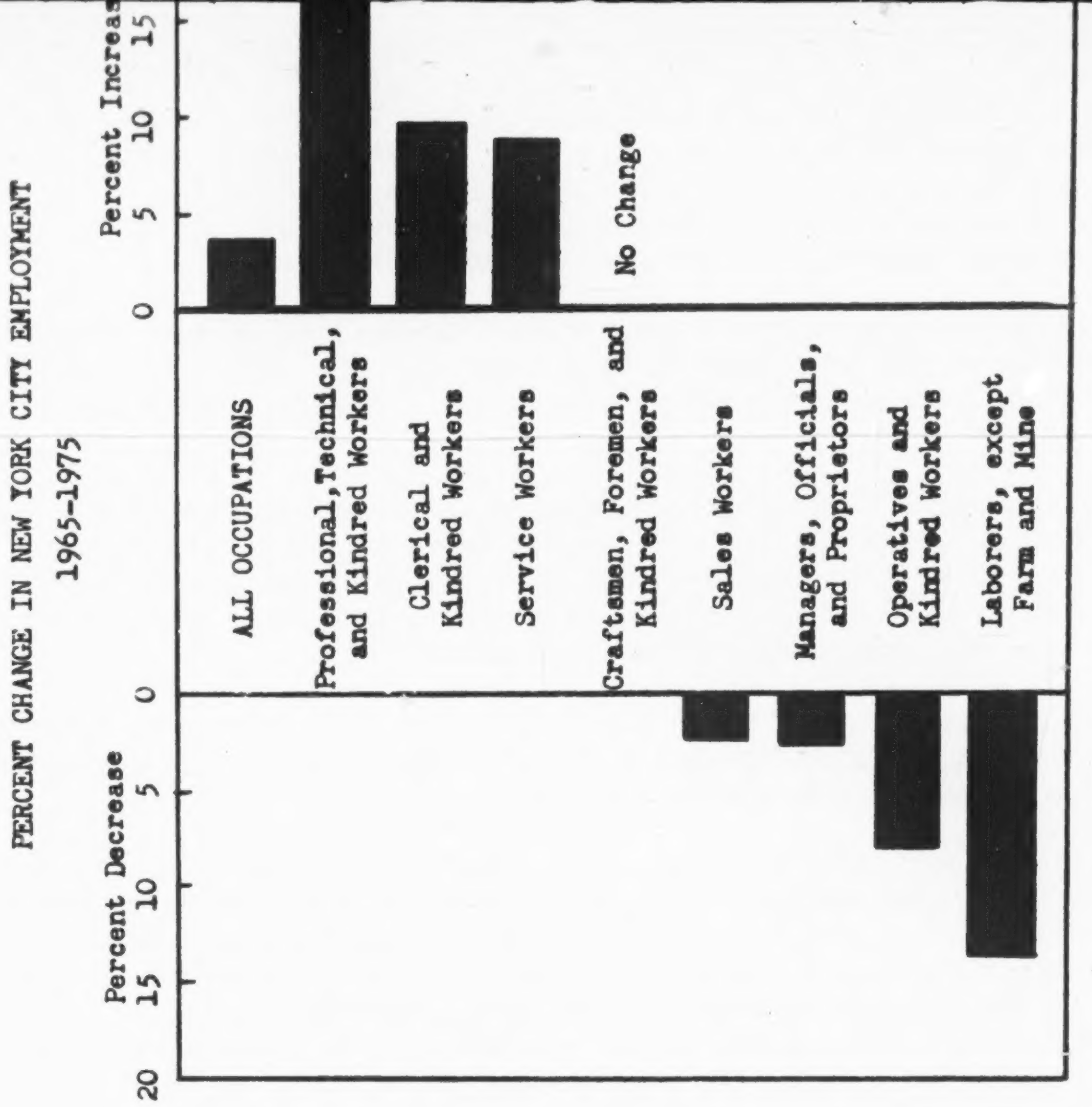

JOB INCREASES IN THE NEXT DECADE WILL BE LARGELY IN OCCUPATIONS CHARACTERIZED BY HIGHER LEVELS OF EDUCATIONAL ATTAINMENT

(From Challenges of the Changing Economy of New York City, 1969)
New York City Council on Economic Education

1. What types of workers will be most needed in the New York City area? Least needed?

2. What effect will these changes have on workers? Unions?

3. What problems do these changes pose for our educational system?

C. Using the views of industry to learn about the manpower needs of New York City.

The implications of changing manpower trends are serious to industry and to all citizens, according to Mr. Ralph Gross, Vice President, Commerce and Industry Association of N.Y. Essentially the city's problems are those of size, not uniqueness. After World War II, housing problems caused many middle income people to leave. This group, which paid most of the tax bill, has been replaced by low income groups from the South and from Puerto Rico. With few skills, they do not earn enough to pick up the tax bill. Indeed, their inability to help results in a need for more city services, more welfare and more costs. Ultimately, these charges fall upon business. As a result, heavy charges increase the dangers of business moving out.

The middle class group will not return. Therefore, we must increase the skills of the newcomers so that they will be enabled to pay their way. Hence business is keenly interested in programs which aim to upgrade skills.

What is the profile of local changes in manpower requirements. The major trend is for blue collar jobs to leave this area. There is also a trend toward a white-collar economy which cannot, of course, be filled by blue-collar talent. Retraining problems, unfortunately, are frequently compounded by discrimination.

In this situation it is important to persuade people to want a better job. It is a frightening fact to contemplate that almost 100,000 jobs have disappeared in this area for the last 6 years.

For the past 6 months the Commerce and Industry Association has been investigating the continuing dangerous loss of manufacturing jobs. An action program is envisioned -- there have been enough studies -- to slow down, to stop and perhaps reverse the flow of jobs out of the city. A new climate must be created with governmental cooperation so that facilities for expansion can be furnished to existing industries. When this battle is won, then we can try to attract new businesses to this locale.

Why have industries moved away? Space is at a premium; wage and tax problems also are significant; traffic congestion is serious; commuter service is not improving; and the attitude of the City government, at best, is apathetic. With the cooperation of municipal authorities and labor unions, a Business Development Corporation could improve the situation rapidly. It should concentrate on making loans where necessary, acquiring real estate and re-leasing it, and it should capitalize on the opportunities offered by the Brooklyn Navy Yard. In addition, the proposed Trade Center should be speeded up, the garment center should be "arcaded" to help solve its serious traffic problems and plans for utilizing the loft space on the west side should be developed. All segments of the population must join in to keep business here.

(From Youth Manpower Requirements in the Metropolitan Region Conference, April 5, 1965, New York City Council on Economic Education.)

Questions for Inquiry and Discovery

1. What factors caused middle income groups to leave New York City?

2. Why do low income

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Questions for Inquiry and Discovery

1. What factors caused middle income groups to leave New York City?

2. Why do low income groups present an economic problem to metropolitan areas?

3. What are the basic reasons why industries move away from urban areas?

4. How can businesses and industries be retained -- and attracted -- to urban areas?

Follow-up Activities

*1. In the teeming slums of Bedford-Stuyvesant, New York City, Albert Corley is starting a fabric design business.

"My goal is at least 50 employees," he says.

Corley, a 46-year old Negro, has wanted to be a designer almost all his life. But for 30 years he had to toil in the garment center pushing racks along crowded streets. He studied illustration at night. He learned the silk-screen printing craft.

His break came last September when a federally funded program promised him a $50,000 loan to get started on his own. He has set up an 8,000-square-foot factory in a loft. He is producing stylist prints. Although he expects that establishing his product will be tough, he's full of confidence. His first ad brought $800 worth of orders.

As business opportunities trickle into the run-down city areas, banks are needed. Workers with newly earned dollars want a safe place to put them. They also want a source of funds for hopeful enterprises of their own.

Today "soul banks" -- largely black owned and operated -- are popping up. There are only 20 of them. And their total assets are low. But they are building up all the time, and established banks are giving them advice and support.

Some of these banks are in the red. That's because their management is inexperienced and inclined to take far-out risks. But three have done well. And they were founded only last year.

(From Urban World, American Education Publications, April 15, [illegible]9)

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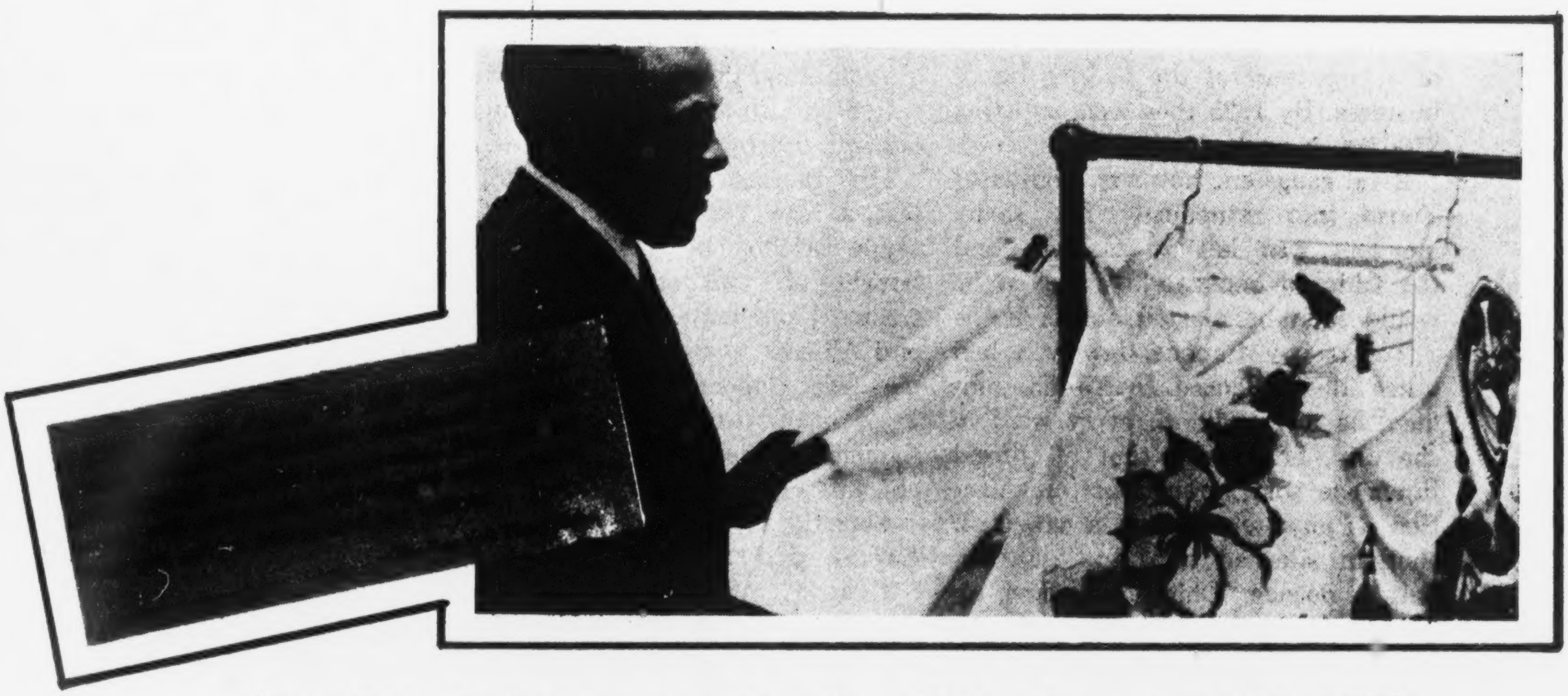

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1. What problems do blacks encounter when they try to open a small business? In what ways are they similar to those encountered by other people? How are they different?

2. What has been done to reduce these problems?

3. How might black capitalism be beneficial to the black community? To the city economy? To the national economy?

Students can survey their neighborhoods to find evidence of black capitalism. By interviewing the proprietor, students can obtain information about financing, employment and effect in the community.

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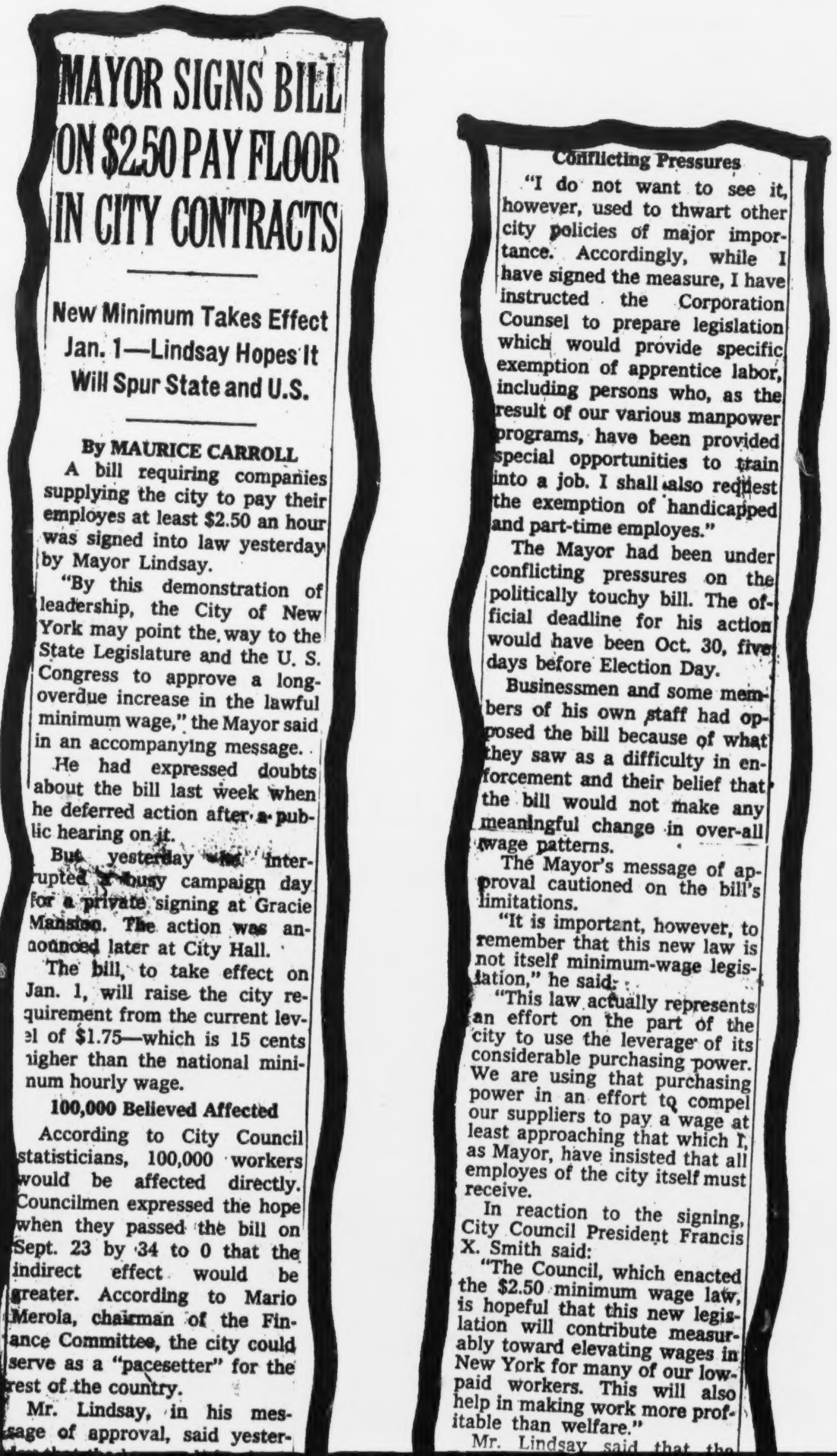
*Recommended for Students Achieving Below Grade Level.

D. Using a newspaper article to understand the relationship between income and employment.



MAYOR SIGNS BILL ON $2.50 PAY FLOOR IN CITY CONTRACTS

New Minimum Takes Effect Jan. 1—Lindsay Hopes It Will Spur State and U.S.

By MAURICE CARROLL

A bill requiring companies supplying the city to pay their employes at least $2.50 an hour was signed into law yesterday by Mayor Lindsay.

"By this demonstration of leadership, the City of New York may point the way to the State Legislature and the U. S. Congress to approve a long-overdue increase in the lawful minimum wage," the Mayor said in an accompanying message.

He had expressed doubts about the bill last week when he deferred action after a public hearing on it.

But yesterday was interrupted a busy campaign day for a private signing at Gracie Mansion. The action was announced later at City Hall.

The bill, to take effect on Jan. 1, will raise the city requirement from the current level of $1.75—which is 15 cents higher than the national minimum hourly wage.

100,000 Believed Affected

According to City Council statisticians, 100,000 workers would be affected directly. Councilmen expressed the hope when they passed the bill on Sept. 23 by 34 to 0 that the indirect effect would be greater. According to Mario Merola, chairman of the Finance Committee, the city could serve as a "pacesetter" for the rest of the country.

Mr. Lindsay, in his message of approval, said yester-

Conflicting Pressures

"I do not want to see it, however, used to thwart other city policies of major importance. Accordingly, while I have signed the measure, I have instructed the Corporation Counsel to prepare legislation which would provide specific exemption of apprentice labor, including persons who, as the result of our various manpower programs, have been provided special opportunities to train into a job. I shall also request the exemption of handicapped and part-time employes."

The Mayor had been under conflicting pressures on the politically touchy bill. The official deadline for his action would have been Oct. 30, five days before Election Day.

Businessmen and some members of his own staff had opposed the bill because of what they saw as a difficulty in enforcement and their belief that the bill would not make any meaningful change in over-all wage patterns.

The Mayor's message of approval cautioned on the bill's limitations.

"It is important, however, to remember that this new law is not itself minimum-wage legislation," he said.

"This law actually represents an effort on the part of the city to use the leverage of its considerable purchasing power. We are using that purchasing power in an effort to compel our suppliers to pay a wage at least approaching that which I, as Mayor, have insisted that all employes of the city itself must receive.

In reaction to the signing, City Council President Francis X. Smith said:

"The Council, which enacted the $2.50 minimum wage law, is hopeful that this new legislation will contribute measurably toward elevating wages in New York for many of our low-paid workers. This will also help in making work more profitable than welfare."

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Mr. Lindsay, in his message of approval, said yesterday that the law needed amendment and that its Council sponsors had assured him his suggested changes would receive a prompt hearing.

A week ago, when the sponsors expressed surprise at the Mayor's deferring of approval, they said they were willing to consider amendments.

"I want to see this law used to achieve its purpose, which is to induce employers to make needed adjustments in the minimum wage scales," Mr. Lindsay said.

Conflicting Pressures

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Mr. Lindsay said that the signing was "an appropriate occasion to renew my repeated calls upon Albany and Washington for an increase in the minimum wage."

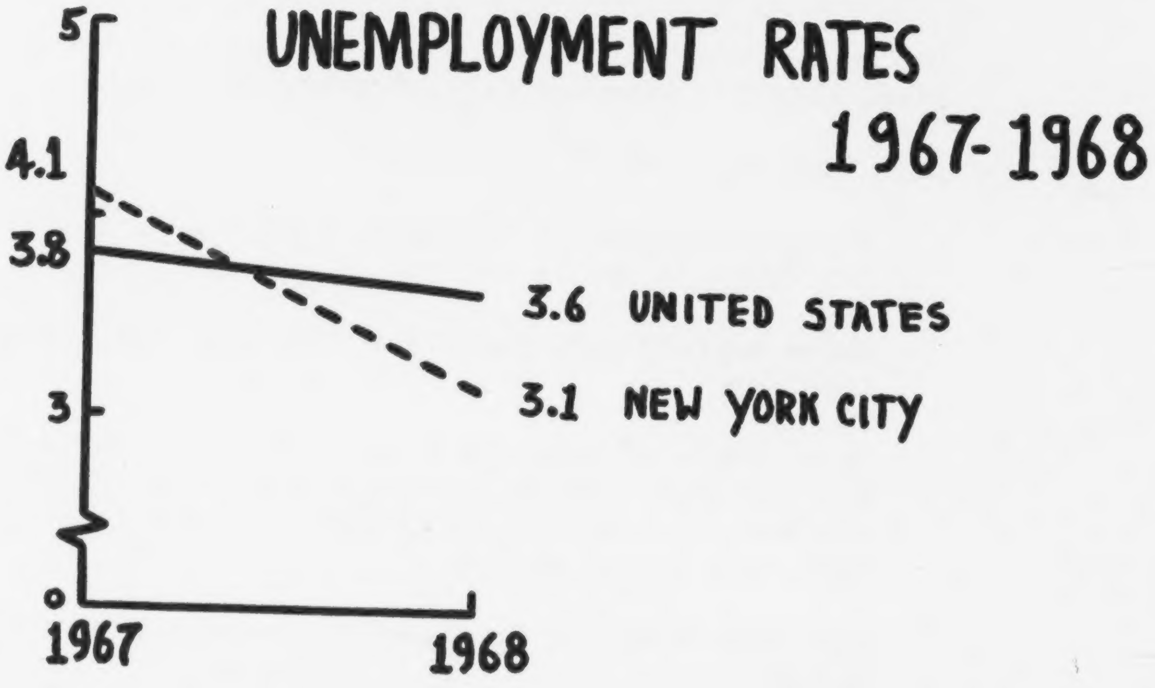
(From New York Times, 1969)

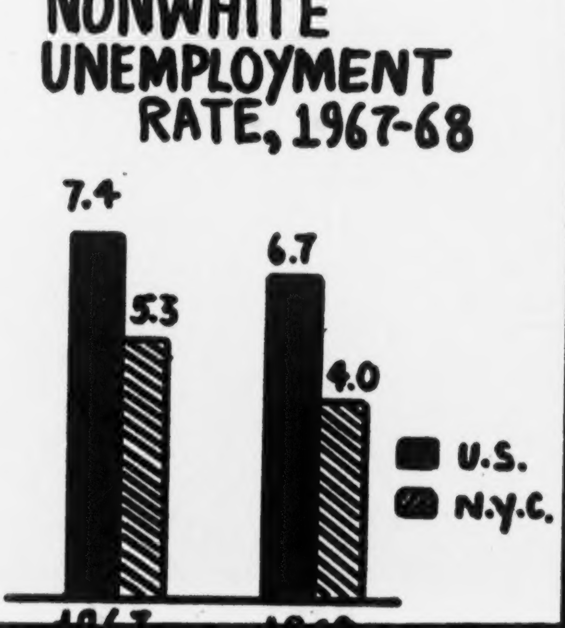
Questions for Inquiry and Discovery

1. What is the minimum wage for New York City?
2. How does this rate compare with the minimum for surrounding communities? For the nation?
3. What effect can the increase to $2.50 have on a worker's income?
4. What effect might this increase have on employment of unskilled workers?
5. How might industry react to this increase?

Follow-up Activities

1. Have students analyze the following charts and answer the questions below:





UNEMPLOYMENT RATES - 1968

	Total	White	Nonwhite
United States	3.6	3.2	6.7
New York Area	3.0	2.9	3.9
New York City	3.1	2.9	4.0

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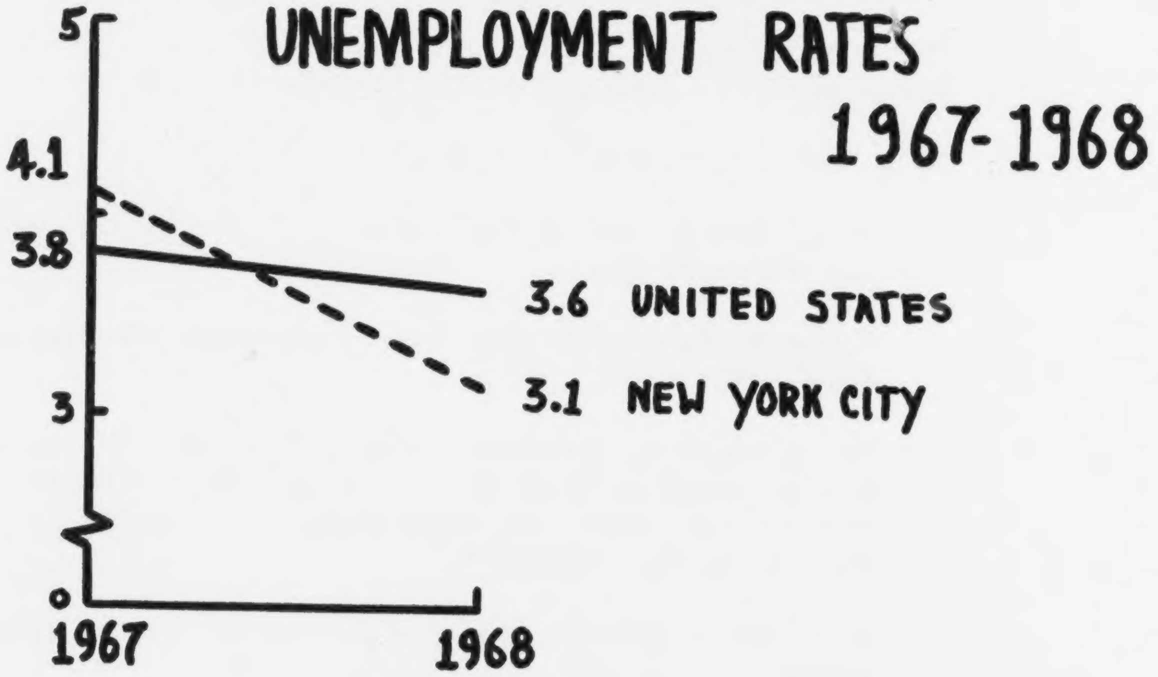

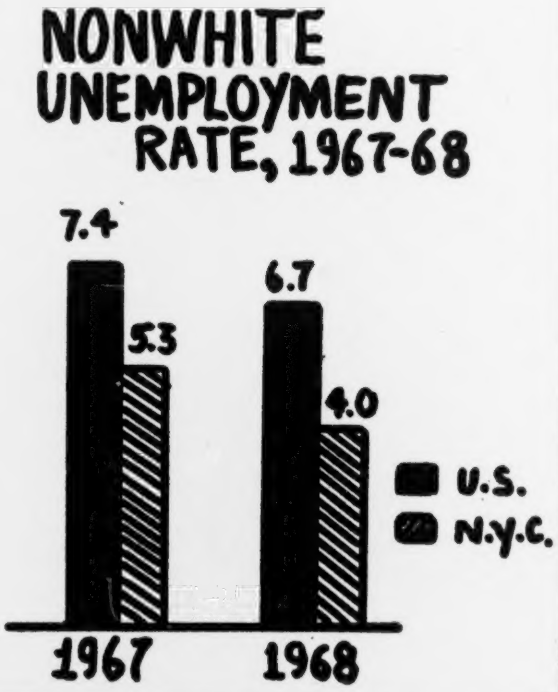

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(From Challenges of the Changing Economy of New York City, 1969)
New York City Council on Economic Education

1. What is the white unemployment rate for New York City?

2. What is the non-white unemployment rate in New York City?

3. How do these rates compare to the national unemployment picture?

Questions for Discussion

1. Although unemployment rates have decreased in the city, the total number of poverty families and families receiving welfare has increased? Why?

2. What effect do unemployment and poverty have on the people involved?

3. What changes have been suggested for our welfare system? Why?

From the discussion the following conclusions can be drawn:

1. Employment has risen Nationally and in New York City. Unemployment rates have moved lower.

2. The overall unemployment rates for New York City, a little higher than the National rates in 1967, dropped significantly in 1968 to a level lower than the U.S. rate.

3. The unemployment rate for non-whites, already lower than the U.S. level in 1967, improved significantly in 1968.

The term "sub-employment" includes:

- Those unemployed in the sense that they are "actively looking for work and unable to find it"

- Those working only part-time when they are trying to get full-time work

- Those heads of households under 65 years who earn less than $60 per week working full-time and those individuals under 65 who are not heads of households and earn less than $56 per week in a full-time job

- Half the number of "non-participants" in the male 20-64 age group

- An estimate of the male "undercount" group.

Increasingly it is clear that unemployment data measure market conditions and that large numbers of persons in urban areas are under employed, or outside the labor market frame.

SUBEMPLOYMENT RATES IN NEW YORK CITY'S SLUM AREAS PROVIDE INSIGHT TO THE

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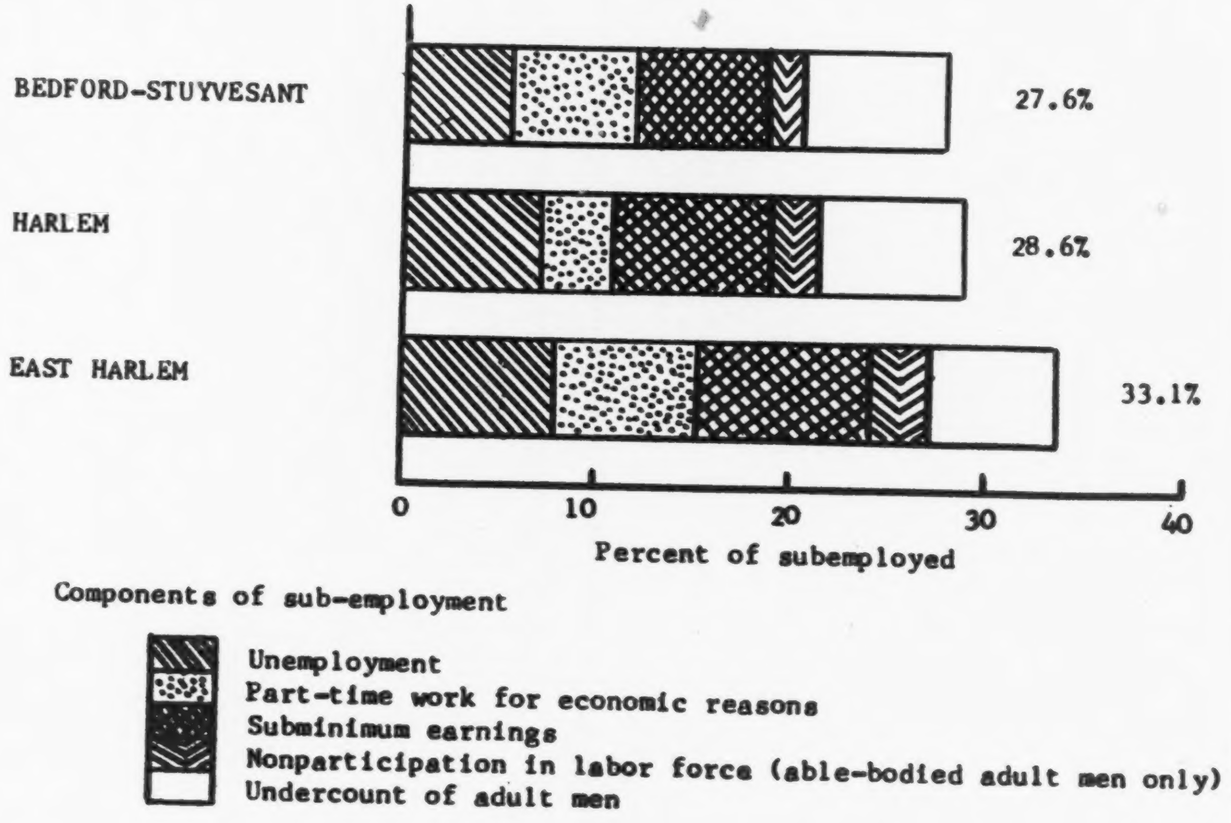

Source: Sub-employment in the Slums of New York
U.S. Department of Labor

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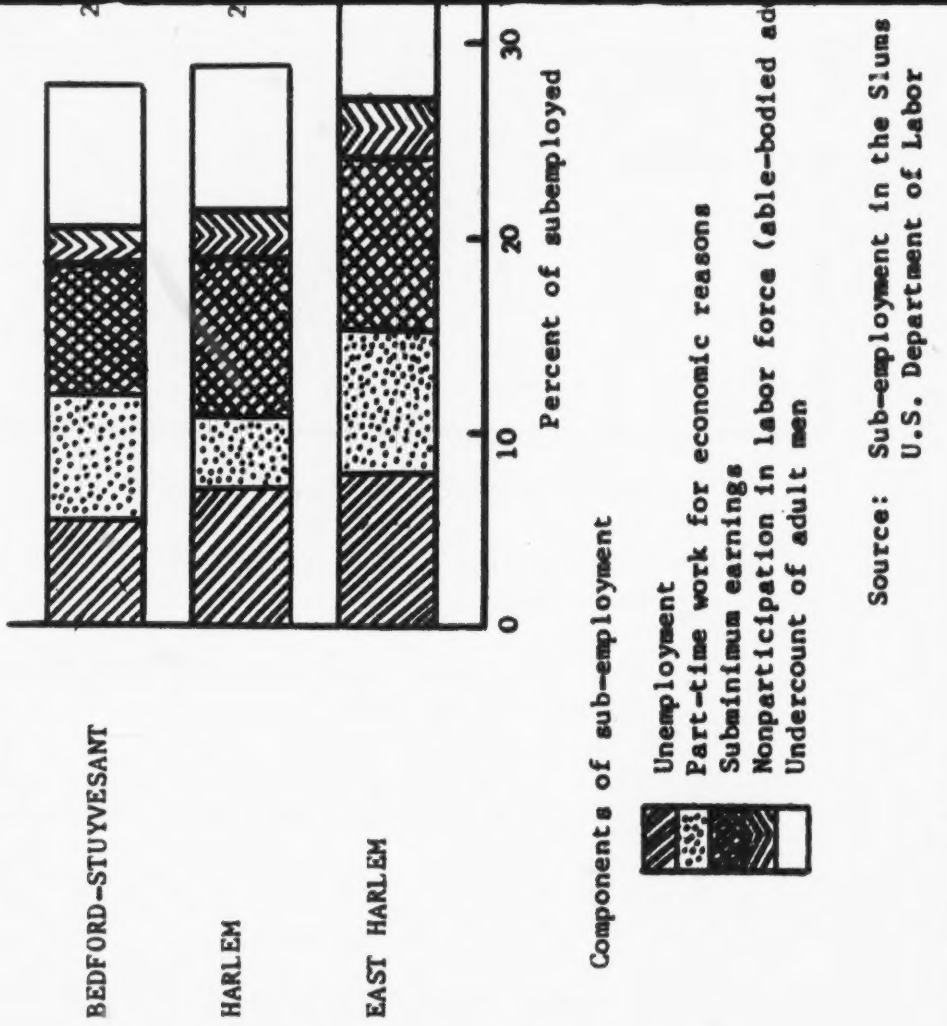

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1. What is meant by "sub-employment?"

2. How does it affect the total economic picture of the city economy?

3. What problems might be created due to the magnitude of those outside the mainstream of full employment?

Compare the occupational structure of ghetto unemployed with the anticipated city job openings to understand the seriousness of the experience - opportunity mismatch - the apparent skills gap.

	Occupational Distribution of Ghetto Unemployed, 1966	Estimated Job Openings 1965-1975
White-collar	13.6%	65.7%
Craftsmen	2.8	7.4
Operatives	14.7	7.7
Service	16.6	18.6
Laborers & Others	52.3	0.6

1. What problem do these figures pose for our educational system?
2. What steps should industry take to meet this problem? Unions? Government?
3. Why must jobs be found for the growing number of unskilled workers in New York City?
4. What problems do minority groups face when they try to take jobs in factories outside the center of the city?
5. What steps are being taken to bring industry into the ghetto areas of New York City?

2. Since unemployment rates are highest among teenagers, students can interview a high school dropout or an unemployed youth.

   The following questions can be asked:

   a. What jobs are easiest to find?
   b. Why is it difficult getting a job?
   c. What problems do you face being unemployed?
   d. Did school prepare you well enough for employment?
   e. What changes in the school program would you suggest?
   f. What help would you need in order to get a job?

E. Read the following recommendations from The Report of the National Advisory Commission on Civil Disorders

Recommendations for National Action

INTRODUCTION

No American -- white or black -- can escape the consequences of the continuing social and economic decay of our major cities.

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Only a commitment to national action on an unprecedented scale can shape a future compatible with the historic ideals of American society.

The great productivity of our economy, and a federal revenue system which is highly responsive to economic growth, can provide the resources.

The major need is to generate new will - the will to tax ourselves to the extent necessary to meet the vital needs of the nation.

We have set forth goals and proposed strategies to reach those goals. We discuss and recommend programs not to commit each of us to specific parts of such programs but to illustrate the type and dimension of action needed.

The major goal is the creation of a true union -- a single society and a single American identity. Toward that goal, we propose the following objectives for national action:

- Opening up opportunities to those who are restricted by racial segregation and discrimination, and eliminating all barriers to their choice of jobs, education and housing.

- Removing the frustration of powerlessness among the disadvantaged by providing the means for them to deal with the problems that affect their own lives and by increasing the capacity of our public and private institutions to respond to these problems.

- Increasing communication across racial lines to destroy stereotypes, to halt polarization, end distrust and hostility, and create common ground for efforts toward public order and social justice.

We propose these aims to fulfill our pledge of equality and to meet the fundamental needs of a democratic and civilized society -- domestic peace and social justice.

Pervasive unemployment and underemployment are the most persistent and serious grievances in minority areas. They are inextricably linked to the problem of civil disorder.

Despite growing federal expenditures for manpower development and training programs, and sustained general economic prosperity and increasing demands for skilled workers, about two million -- white and nonwhite -- are permanently unemployed. About ten million are underemployed, of whom 6.5 million work full time for wages below the poverty line.

The 500,000 "hard-core" unemployed in the central cities who lack a basic education and are unable to hold a steady job are made up in large part of Negro males between the ages of 18 and 25. In the riot cities which we surveyed, Negroes were three times as likely as whites to hold unskilled jobs, which are often part time, seasonal, low-paying and "dead end."

Negro males between the ages of 15 and 25 predominated among the rioters. More than 20 percent of the rioters were unemployed, and many who were employed held intermittent, low status, unskilled jobs which they regarded as below their education and ability.

The Commission recommends that the federal government:

- Undertake joint efforts with cities and states to consolidate existing manpower programs to avoid fragmentation and duplication.

- Take immediate action to create 2,000,000 new jobs over the next three years -- one million in the public sector and one million in the private sector -- to absorb the hard-core unemployed and materially reduce the level of underemployment for all workers, black and white. We propose 250,000 public sector and 300,000 private sector jobs in the first year.

- Provide on-the-job training by both public and private employers with reimbursement to private employers for the extra costs of training the hard-core unemployed, by contract or by tax credits.

- Provide tax and other incentives to investment in rural as well as urban poverty areas in order to offer to the gation and discrimination, and eliminating all barriers to their choice of jobs, education and housing.

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- Provide tax and other incentives to investment in rural as well as urban poverty areas in order to offer to the rural poor an alternative to migration to urban centers.

- Take new and vigorous action to remove artificial barriers to employment and promotion, including not only racial discrimination but, in certain cases, arrest records or lack of a high school diploma. Strengthen those agencies such as the Equal Employment Opportunity Commission, charged with eliminating discriminatory practices, and provide full support for Title VI of the 1964 Civil Rights Act allowing federal grant-in-aid funds to be withheld from activities which discriminate on grounds of color or race.

The Commission commends the recent public commitment of the National Council of the Building and Construction Trades Unions, AFL-CIO to encourage and recruit Negro membership in apprenticeship programs. This commitment should be intensified and implemented.

1. What are the major proposals of the Commission?
2. How might they help solve the problems that create a "vicious cycle" in New York City?
3. How might cost be a factor when these proposals are implemented?
4. Who should be responsible for implementing this program? Who should pay for it?
5. Would a quota system as proposed for Philadelphia be helpful to the Negro? Construction industry? The economy?

F. Using a newspaper article to understand how inflation affects the elderly in New York City.

CALL
SPECIAL
SESSION
SENIOR POWER

The New York Times (by Carl T. Gossett Jr.)

SENIOR POWER: Elderly at a rally in Manhattan Center yesterday to protest prices rising in face of fixed incomes

Retired Couples in City Find Living More Costly

A retired couple in the New York City area needs to spend 11 per cent more than retired couples in other major cities to maintain a moderate standard of living.

The regional office of the United States Bureau of Labor Statistics issued a survey yesterday that showed that for retired couples, keeping up with the Joneses means keeping a close watch on every dollar.

To maintain what people generally consider a moderate standard of living, a retired couple here needs $4,407 a year, $398 a year more than they needed in 1967, according to the Federal agency.

The statistics had real meaning yesterday for more than 4,000 elderly people who

and his wife, who is ill, said: "Everytime I go to the supermarket the prices are higher. We haven't been to a movie in years, except once in a while to Radio City. The prices are still reasonable there."

Philip Berman, a 76-year-old retired insurance salesman, noted, "You gotta cut here, cut there, and finally decide that you're going to make do."

He and his wife live primarily on his $188-a-month Social Security check, which provides in a year less than the low-income budget compiled by the Bureau of Labor Statistics.

Mr. Berman noted, "Entertainment is completely out for us now. My wife and I have cut all the way back on cloth-

The couple also possesses an "average inventory of clothing, home furnishings, major durables and other equipment," according to the report.

The survey said that if the couple wanted to maintain a higher than moderate standard of living, which might include using air-conditioning, perhaps a car, and more paid services, a total of $6,623 a year would be needed in the New York area.

The higher figure is about $300 a year more than in the national urban average. But Boston requires a budget of $6,761 to maintain a similar standard.

The biggest cost items for retired couples were, as expected, food and housing. The lower standard budget allowed only $34 a year for transportation for the couple.

The biggest cheers at the

month to $90 by 1970 and to $120 by 1972.

President Nixon recently proposed a 10 per cent increase in Social Security benefits and noted that the average retired couple now receives $2,040 a year in benefits and is allowed to earn another $1,600 without any loss of benefits.

Mayor Lindsay was the only one of the three mayoral candidates to accept an invitation from the sponsoring organizations to address the gathering. He cited what he said were his achievements on behalf of the elderly, noting the half-fare subway and bus fare, rent rollbacks and increased police protection.

CALL
SPECIAL
SESSION

The New York Times (by Carl T. Gossett Jr.)

SENIOR POWER: Elderly at a rally in Manhattan Center yesterday to protest prices rising in face of fixed incomes

Retired Couples in City Find Living More Costly

A retired couple in the New York City area needs to spend 11 per cent more than retired couples in other major cities to maintain a moderate standard of living.

The regional office of the United States Bureau of Labor Statistics issued a survey yesterday that showed that for retired couples, keeping up with the Joneses means keeping a close watch on every dollar.

To maintain what people generally consider a moderate standard of living, a retired couple here needs $4,407 a year, $398 a year more than they needed in 1967, according to the Federal agency.

The statistics had real meaning yesterday for more than 4,000 elderly people who gathered at a Manhattan Center rally to protest what one speaker called "the Scylla and Charybdis of a fixed income and rising prices."

Wearing blue and white "senior power" buttons, the elderly people made it clear that they felt the survey's budget for a low standard of living—$2,947—was very low indeed.

David Landinberg, an 82-year-old great-grandfather who keeps house for himself and his wife, who is ill, said: "Everytime I go to the supermarket the prices are higher. We haven't been to a movie in years, except once in a while to Radio City. The prices are still reasonable there."

Philip Berman, a 76-year-old retired insurance salesman, noted, "You gotta cut here, cut there, and finally decide that you're going to make do."

He and his wife live primarily on his $188-a-month Social Security check, which provides in a year less than the low-income budget compiled by the Bureau of Labor Statistics.

Mr. Berman noted, "Entertainment is completely out for us now. My wife and I have cut all the way back on clothing."

The budget estimates, which reflect prices in the spring of this year, are supposed to reflect a reasonable manner of living, not mere subsistence.

Food and Housing High

The average couple was described as a husband, age 65 or over, and his wife, who are self-supporting, living alone, enjoying fairly good health, receiving hospital and medical care protection under Medicare, and occupying a five-room or six-room mortgage-free house or a two-or-three-room rented apartment.

The couple also possesses an "average inventory of clothing, home furnishings, major durables and other equipment," according to the report.

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The biggest cheers at the older people's rally came for a bill introduced in the House of Representatives yesterday by Representative Jacob H. Gilbert, Bronx Democrat, which would raise the minimum Social Security payment from $55 a month to $90 by 1970 and to $120 by 1972.

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(Source: New York Times)

Questions for Inquiry and Discovery

1. What is the major source of income for many of the protesting elderly people?
2. How have rising prices affected their standard of living?
3. What special problem do people in fixed incomes have?
4. What steps has the Federal government taken to meet these problems?
5. Has the city tried to improve the living standard of retired people?

Follow-up Activity

Students can interview grandparents or elderly neighbors to find out firsthand how they budget their incomes and how rising prices have affected such budget items as food (quantity and quality), entertainment, savings.

G. Using graphs to discover the relationship between income and prices in New York.

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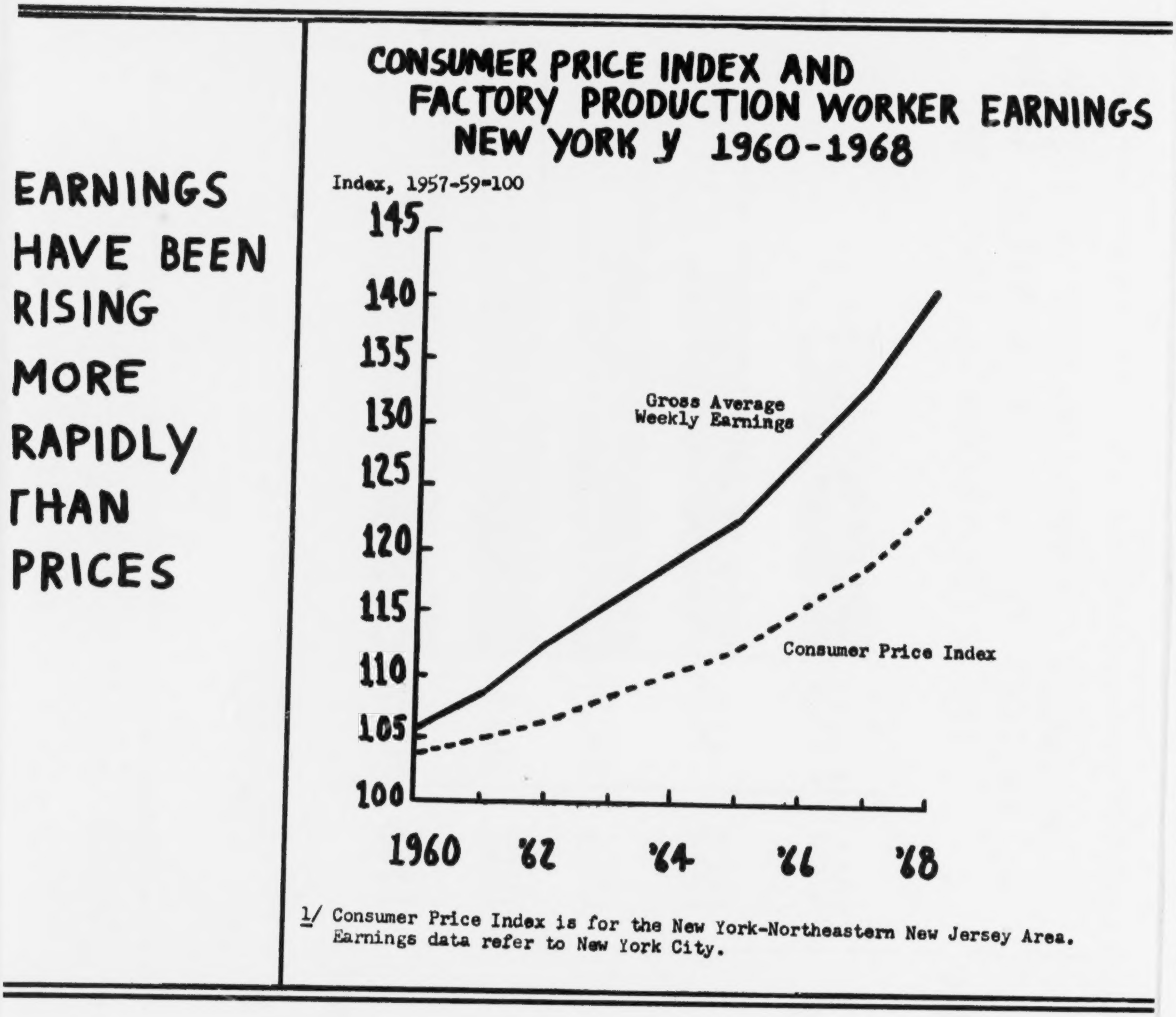

CONSUMER PRICE INDEX AND FACTORY PRODUCTION WORKER EARNINGS NEW YORK 1/ 1960-1968

1/ Consumer Price Index is for the New York-Northeastern New Jersey Area. Earnings data refer to New York City.

(From Challenges of the Changing Economy of New York City, 1969.)
New York City Council on Economic Education

Questions for Inquiry and Discovery

1. What change has taken place in earnings since the base year of 1957-59?
2. What has happened to prices during this period?
3. Are workers better off today than in 1960? Why?

BUT...
INFLATION
HAS
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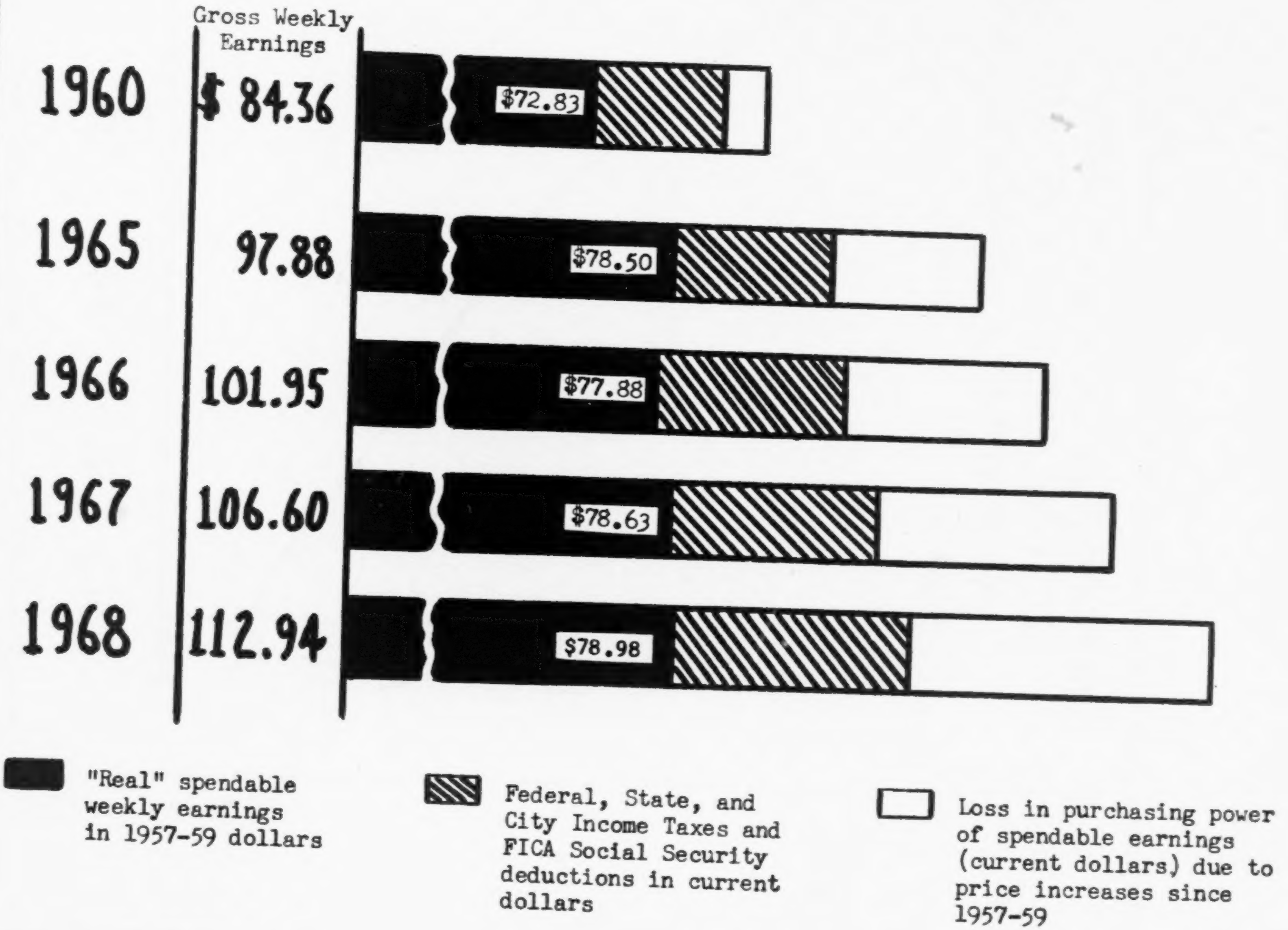
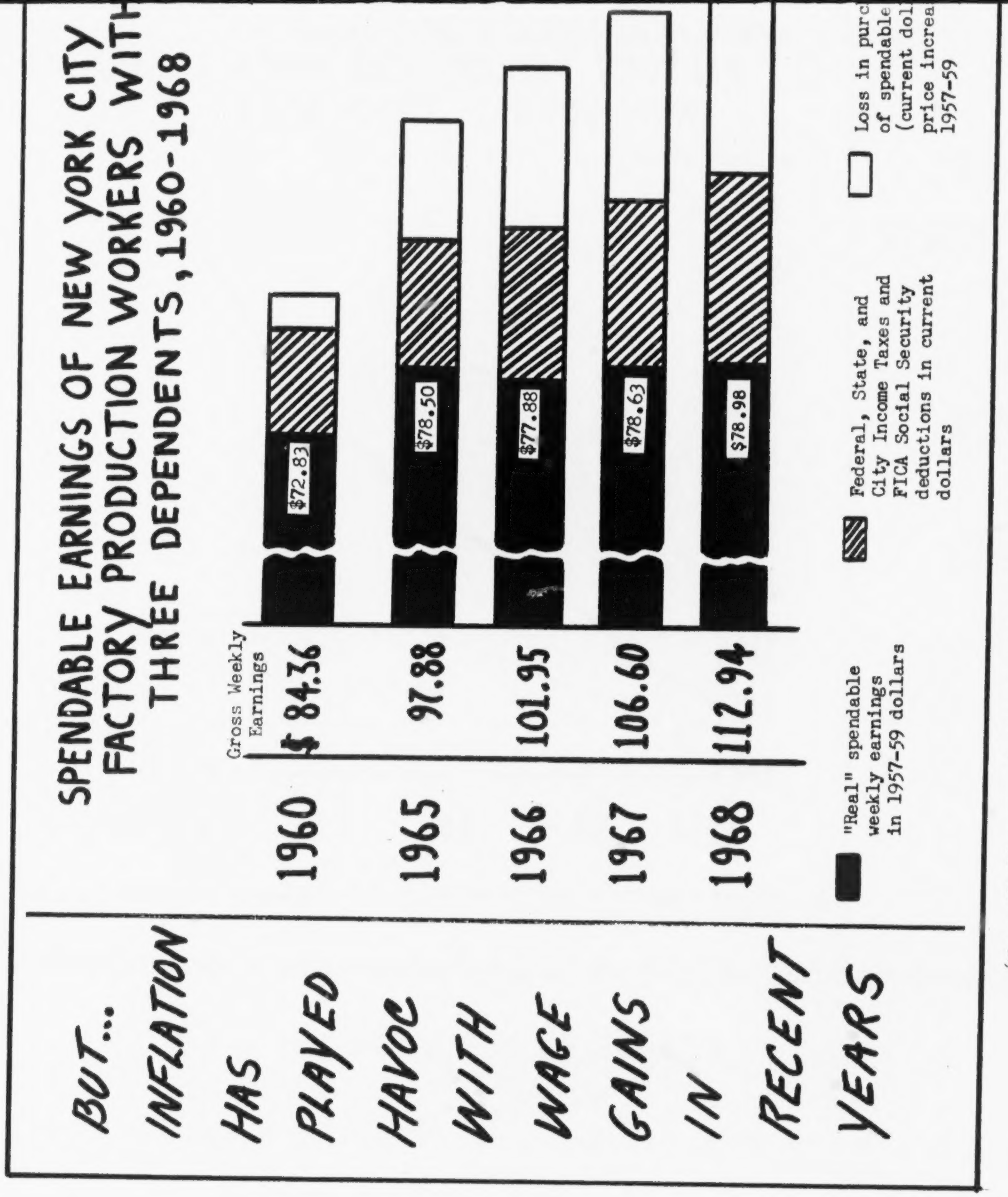
SPENDABLE EARNINGS OF NEW YORK CITY FACTORY PRODUCTION WORKERS WITH THREE DEPENDENTS, 1960-1968



(From Challenges of the Changing Economy of New York City, 1969.)
New York City Council on Economic Education



(From Challenges of the Changing Economy of New York City, 1969.)
New York City Council on Economic Education

Questions for Inquiry and Discovery

1. What has been the percent change in workers incomes in New York City from 1960 to 1968?

2. What has happened to the portion of income lost in purchasing power since 1960?

3. How have taxes affected the spendable income of workers since 1960?

4. How much has "real" spendable income changed in New York City since 1960?

Questions for Discussion

1. Are workers better off financially today than in 1960? Why?
2. How can workers protect their incomes against inflation?
3. How does inflation affect the city government's attempt to meet the needs of the city?

Follow-up Activity

Students can consult the reports of the Bureau of Labor Statistics to bring the graphs up to date.

1. Have there been any significant changes?
2. How do you account for the fact that the trends have remained the same? Have changed?

H. Using a newspaper article to learn why prices are higher in New York City.

Living Cost Highest Here

By PETER MILLONES

It has been said that New York is the best city in the world in which to spend 10 per cent of your time and 90 per cent of your money.

Residents of this city, long aware that they must close their eyes to some of the titillating inducements to high living here have increasingly found that even basic items, like food, clothing and housing, have strained their pocketbooks.

The Government's figures bear this out. Consumer prices have risen 2.8 per cent here since the beginning of the year and 6.4 per cent in the last year, the biggest increase of any major city in the continental United States.

The leaping prices have been particularly noticeable to newcomers to the ctiy, who do not have the time to search for housing, or know where to buy discount goods (liquor, for example, can cost up to $2 a bottle less in some stores).

Manhattan Most Expensive

But even with carefully culled knowledge of where to shop, New York is expensive—with Manhattan, its core, more expensive than other boroughs in almost all respects.

When economic specialists try to figure out why New York is more expensive than other major cities they generally cite three basic items: the high cost of real estate here, the high cost of labor and high taxes.

For eaxmple, the Bureau of Labor Statistics has found that for a family of four living on a budget of $10,000 a year here, personal taxes are about $700 a year more than in Detroit or Chicago and about $500 a year more than in Los Angeles.

Food, clothing and housing prices are not as dramatically higher than elsewhere, but a few dollars a week in each area add up at the end of the year to New York's "most-

The increase last month in consumer prices in the area was less than two-tenths of 1 per cent, the bureau said, an dthis was described by a bureau official as encouraging in the light of the much bigger recent increases. But the official noted that in May all items—from housing to food to health care to recreation—cost more.

Statistics, however, do not tell the full story. Two factors that are hard to measure are believed by some economic specialists to contribute greatly to the higher cost of living here.

One is what Herbert Bienstock, the regional director of the Bureau of Labor Statistics, has called "the manner, the style, the tone of living in New York."

The Fifth Avenue fashions are here and how many women have resisted the lure? Some of the nation's fanciest restaurants are here and how many young bachelors with dates have resisted the temptation?

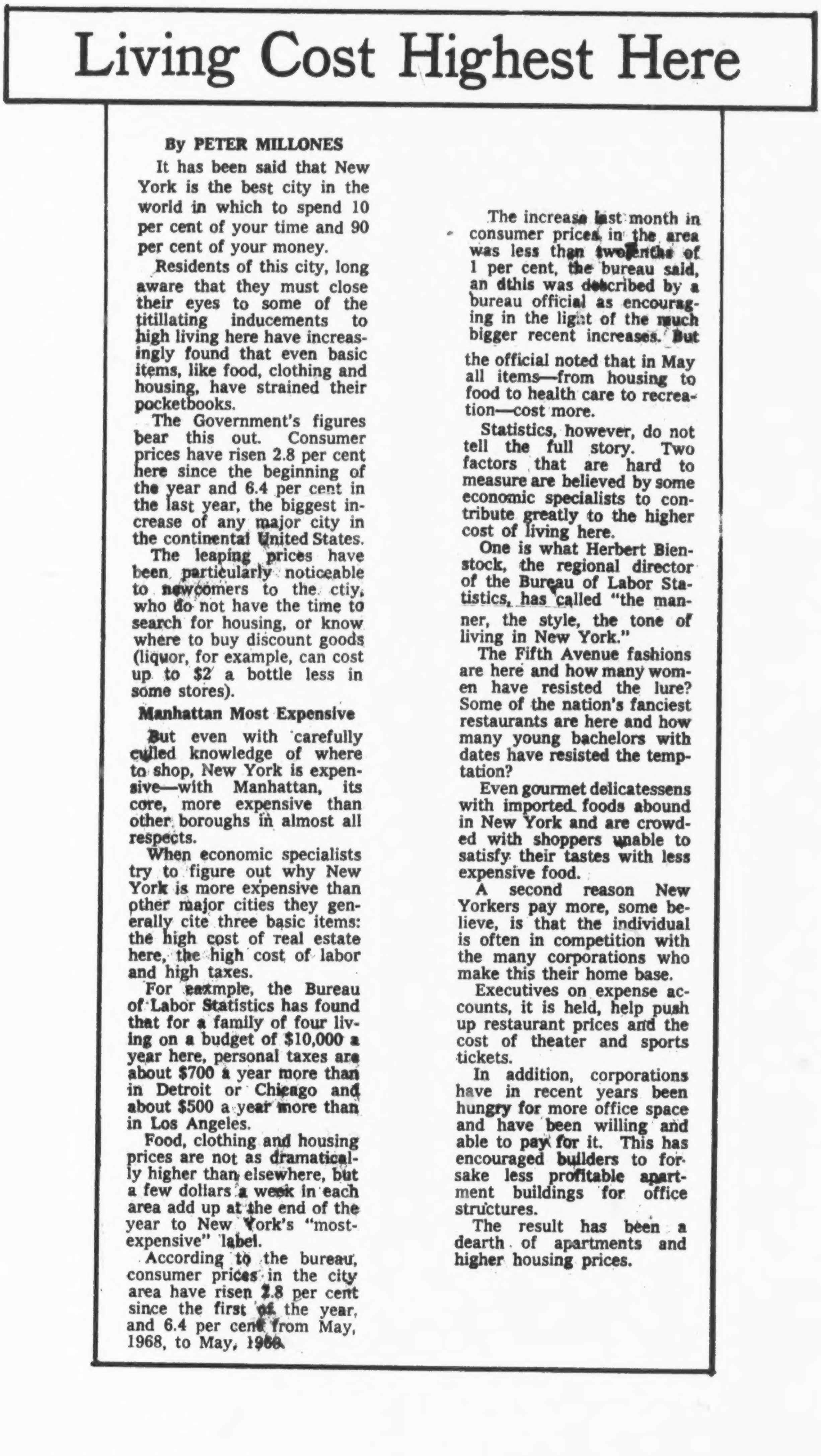
Even gourmet delicatessens with imported foods abound in New York and are crowded with shoppers unable to satisfy their tastes with less expensive food.

A second reason New Yorkers pay more, some believe, is that the individual is often in competition with the many corporations who make this their home base.

Executives on expense accounts, it is held, help push up restaurant prices and the cost of theater and sports tickets.

In addition, corporations have in recent years been hungry for more office space and have been willing and able to pay for it. This has encouraged builders to forsake less profitable apartment buildings for office structures.

The result has been a



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In addition, corporations have in recent years been hungry for more office space and have been willing and able to pay for it. This has encouraged builders to forsake less profitable apartment buildings for office structures.

The result has been a dearth of apartments and higher housing prices.

(From New York Times, 1969)

Questions for Inquiry and Discovery

1. Why are prices higher in New York than in any other city in continental United States?
2. How have corporate expense accounts affected prices for food, housing and entertainment in New York?
3. How does this illustrate the law of supply and demand?
4. What is the effect of increased spending on prices?

Follow-up Activity

Students can use the form below or a similar form to survey food prices in their area.

SURVEY FORM - WHAT'S HAPPENING TO FOOD PRICES?

Item	Amount	1958	1967	Today
Hamburger	1 lb.	.53	.55	
Beef Rib Roast	1 lb.	.82	.94	
Frankfurters	1 lb.	.65	.71	
Frying Chicken	1 lb.	.47	.38	
Eggs (Gr. A large)	1 doz.	.60	.49	
Milk	½ gal.	.48	.52	
Sugar	5 lb.	.56	.61	
Coffee	1 lb.	.91	.77	
Apples	1 lb.	.15	.21	
Potatoes	10 lb.	.63	.75	
Lettuce	head	.17	.28	
Tomatoes	1 lb.	.32	.35	

1. Which prices increased the most?
2. Which prices have changed the least?
3. Which products cost less today?
4. What has happened to food prices in New York City?

III. HOW WELL DOES THE CITY PROVIDE FOR THE GOOD QUALITIES OF LIFE?

Emphases: Housing policy for New York must provide for low and middle income earners.

The congestion of the city has resulted in water, air and noise pollution.

The unique nature of city problems must lead to new ways of financing them.

A. Using a newspaper article to learn about the housing problems of New York.

The Changing City: Housing Paralysis

By DAVID K. SHIPLER

The state of housing in New York City seems as hopeless as an abandoned tenement whose broken windows stare blankly out on a slum.

Private industry is building apartments for only the wealthiest 7 per cent of the population except in cases where it rceives government subsidies.

The city government says it cannot produce decent housing for the remaining 93 per cent without more money from Washington.

Federal housing officials charge that the city has not been efficient enough to use all the funds it has already been offered.

As a result, a low-income family asking for an apartment in a public-housing project will become No. 130,801 on the waiting list, according to the latest figures. At the current rate of construction, they could expect to move into a project in 51 years.

To solve this problem New York City needs right now 780,000 new subsidized apartments, but the Federal housing program, in its 34-year history, has produced only 800,000 units across the entire country.

All this adds up to eight-million New Yorkers caught in a clash of powerful forces: rising rents and falling rates of vacancy, dwindling amounts of new construction and widespread abandon-

The improvements are needed not only to replace decayed houses but also to satisfy the soaring hopes of millions no longer content to live as their parents did. The poor, most of them black and Puerto Rican, seek escape from crowded, heatless tenements. The middle class, mostly white, want enough space for a den or a study, a patch of lawn for their children, a safe neighborhood.

In the campaign of 1965. John V. Lindsay said that he hoped as Mayor "to begin the uplifting of New York and to build at least 160,000 low and middle-income apartments" in four years.

But in the last three and a half years, the city started construction of only 34,167 apartments, and just 8,920 of those were for low-income families, most of them black, who are now in the city's worst housing.

Last year, 13,257 new apartments were started here through a variety of publicly aided programs. But housing specialists estimate that this effort was dissipated by the number of good apartments that decayed during the same period.

The entire population of Arizona could fit into the deteriorated housing in New York City. There are now a half-million decaying apartments, and the disintegration is accelerating as responsible private owners retreat from slum neighborhoods where investment is risky.

Some Obstacles Noted

It is this rapid decline that forms the need for massive government building programs. But the obstacles to government action are enormous. Among them are the following:

¶Climbing real estate taxes.

¶Even those who have studied the problem in depth have difficulty fully understanding the social and economic forces that lead to the housing deterioration characterized by rat infestation, heatless apartments whose floors are covered with ice in the winter, solid buildings abandoned to narcotics addicts.

The abandonment of buildings, by both landlords and tenants, has climbed precipitously in recent years. In 1961, there were 1,000 abandoned buildings on record: in 1968 there were 7,100, according to Dr. Frank S. Kristof, an economist with the New York State Urban Development Corporation. Dr Kristof estimates that 2,000 to 3,000 buildings are being abandoned here each year.

Although the city has stepped up the demolition of unsafe buildings—from 216 in 1965 to 1,835 in 1968—it cannot keep up with the desertion rate.

As a result, more and more vacant structures are left standing, with a depressing and demoralizing impact on surounding property and residents. Their infection spreads quickly through whole blocks, until some sections of the city now resemble bombed-out areas of wartime Europe.

According to housing officials, most of the abandoned buildings are structurally sound, but aging. Caught in the whirlpool of the slums or of neighborhoods changing into slums, they have suffered through the years from neglect by their owners, who are unwilling or unable to put rent money into repairs.

"A deteriorating building is as vulnerable as a wound-

But other specialists, including Prof. Chester Rapkin, director of Columbia University's Institute of Urban Environment and a member of the City Planning Commission, doubt that if controls were lifted landlords would put increased rent profits back into their buildings. And even if they did, tremendous hardships would result for thousands of families who could not afford to pay the rent increases.

Moreover, abandonment is a national problem, even in major cities without rent control. In the slums of Chicago's West Side, for example, structurally sound, brick apartment houses are being abandoned by owners who do not regard their investments as worth maintaining.

Here and in Chicago, the city governments attack the symptoms. New York fills fuel tanks that landlords have let run dry, fixes boilers and attaches rents and uses them to upgrade buildings. But the victims still multiply.

On the fourth floor of a grimy tenement on Manhattan's Lower East Side, Mrs. Zulma Pantoja, a dark-eyed mother in her early twenties, rolls her baby's crib away from the wall of a crowded bedroom.

"This is what I have to do at night," she says, "to keep the rats from climbing in."

She and her husband, Americo, and their two small children sleep in one cramped room of their three-room apartment. They pay $35 a month rent, although with Mr. Pantoja's steady job, they could afford more.

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All this adds up to eight-million New Yorkers caught in a clash of powerful forces: rising rents and falling rates of vacancy, dwindling amounts of new construction and widespread abandonment of sound old buildings.

The Lindsay administration, which inherited these problems, has not been able to run fast enough even to stand still, in the view of many urban authorities.

The city administration has taken strides toward allowing the poor to plan the renewal of their own neighborhoods, in paying careful attention to the quality of design, in attempting to eliminate the past cruelitics of relocation. But many housing experts see these gains as peripheral to the problem, which is how to improve the quantity of housing in this most congested of American cities.

The improvements are needed not only to replace decayed houses but also to satisfy the soaring hopes of millions no longer content to live as their parents did. The poor, most of them black and Puerto Rican, seek escape from crowded, heatless tenements. The middle class, mostly white, want enough space for a den or a study, a patch of lawn for their children, a safe neighborhood.

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Some Obstacles Noted

It is this rapid decline that forms the need for massive government building programs. But the obstacles to government action are enormous. Among them are the following:

¶Climbing real-estate taxes, interest rates, construction costs and land prices make housing too expensive here to qualify for many Federal housing programs, which set limits on how much each apartment can cost.

¶The city's political and administrative machinery is too unwieldy, qualified observers believe, to allow easy navigation through Federal red tape.

¶New York is so built up that for nearly every building that is constructed, one must be torn down. That takes time.

¶Because Washington stresses new construction, there are only a few thinly funded Federal programs aimed at stemming deterioration, although preservation of existing housing might reduce the need for new buildings.

¶Even those who have studied the problem in depth have difficulty fully understanding the social and economic forces that lead to the housing deterioration characterized by rat infestation, heatless apartments whose floors are covered with ice in the winter, solid buildings abandoned to narcotics addicts.

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According to housing officials, most of the abandoned buildings are structurally sound, but aging. Caught in the whirlpool of the slums or of neighborhoods changing into slums, they have suffered through the years from neglect by their owners, who are unwilling or unable to put rent money into repairs.

"A deteriorating building is as vulnerable as a wounded bird," says Donald H. Elliott, chairman of the City Planning Commission.

A National Problem

A vacant apartment fails prey to drug addicts, who rip out plumbing and sell it to support their habits. The old boiler, in need of repair, stops providing heat. Water freezes, bursts the pipes and drips into electrical wiring, putting out the lights and perhaps starting a fire. The tenants leave, one by one, and the building is gone.

"If there is insufficient money to maintain a building," a group of landlords said recently, "the building must deteriorate and eventually become a slum structure." They blame the cycle on rent control and some experts, such as Dr. Kristof, agree.

But other specialists, including Prof. Chester Rapkin, director of Columbia University's Institute of Urban Environment and a member of the City Planning Commission, doubt that if controls were lifted landlords would put increased rent profits back into their buildings. And even if they did, tremendous hardships would result for thousands of families who could not afford to pay the rent increases.

Moreover, abandonment is a national problem, even in major cities without rent control. In the slums of Chicago's West Side, for example, structurally sound, brick apartment houses are being abandoned by owners who do not regard their investments as worth maintaining.

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"I've been looking and looking for an apartment," Mrs. Pantoja said, "but they're all in the same condition." She has ben searching on the Lower East Side, where she grew up, and where she wants to stay.

The Pantojas are just one family among thousands who have suffered from the shrinking availability of apartments. Mr. Lindsay characterized the dwindling vacancy rate as an "emergency" in 1965, when it was 3.19 per cent. In the spring of 1968, it had dropped to 1.23 per cent.

One consequence of the shortage has been to drive up rents sharply in many of the city's 600,000 apartments not under rent control, prompting the City Council and the Mayor to legislate limits on the increases.

But while benefiting tenants in the short run, landlords contend that by restricting profits, these tenants will be hurt in the future. For since the demand for office space here is at least as strong as for apartments, many developers are turning toward office-building construction, where the income is higher and the tenants considered easier to deal with.

Private industry has built and owns 92 per cent of the city's 2.8-million residential units without Government subsidies. But privately financed apartment houses are now going up only in the most prestigious neighborhoods, such as Manhattan's East Side, and monthly rents are in the range of $100 to $150 a room.

Under the conventional rule that rent should not exceed 25 per cent of income, a family with a four-room apartment would have to earn nearly $20,000 a year to pay those rents. The median family income in the city is about $6,000 a year.

On Fifth Avenue just north of Washington Square, a young man, his wife and baby are living in a pleasant cooperative purchased a few years ago for $32,000. Now, looking for a larger co-op, he finds he can get $95,000 for his. An impressive profit?

"Peanuts!" he says. The apartment with the extra room he wants now will cost him $135,000 or more.

Although families in all income classes share facets of the same problem, the need for new housing is most acute in the hard-core slums, where the attraction for private money and private initiative is weakest. Most poor families do not have the option that the Fifth Avenue family has: a move to the suburbs.

For this reason, Mayor Lindsay reordered the housing priorities of previous administrations, which had concentrated on building up and preserving fringe areas around slums, but had avoided emphasis on the slums themselves.

Priorities Are Reordered

With encouragement from Washington, which wanted to attack the worst housing, the city shifted the focus to the major poverty neighborhoods, which are now New York's three Model Cities areas—the South Bronx, Harlem-East Harlem, and Central Brooklyn (including Bedford-Stuyvesant, Brownsville and East New York).

Some planners, however, are wary of the new priority.

They argue that if more new low-income housing is built inside the slums than outside, more low-income black and Puerto Rican families will continue to live in the bad neighborhoods. The neighborhoods may be improved, they contend, but there will be less opportunity for the poor to move to better parts of the city. The bitter racial ghettos will remain intact.

The city has tried to compensate for this by adopting a policy to set aside 20 per cent of the apartments in middle-income projects at reduced rents for low-income tenants, and by leasing units for the poor in existing privately owned buildings in good neighborhoods.

Nevertheless of the 21,024 low-income apartments in new projects and leasing programs approved since 1965 only 7,434 are slated for neighborhoods outside poverty areas, mostly in Queens and the Bronx. Most of these units are in projects that have not yet been built.

This concentration on building in the slums appears to be in conflict with a proposal of the National Advisory Commission on Civil Disorders, whose report Mr. Lindsay helped write.

"We believe," the commission said, "that Federally aided low and moderate-income housing programs must be reoriented so that the major thrust is in nonghetto areas."

New Construction Discussed

Asked about this in a recent interview, the Mayor said he thought new construction should be undertaken both inside and outside the slums.

"You have to do both," he said. "Obviously, what is desirable to achieve is the choice, in the long run. Given a choice, the average guy stays in his own community. Being locked out of a choice is what he doesn't like."

It is clear that publicly aided housing in good neighborhoods constitutes the best hope that poor nonwhites have for escaping the slums, since racial discrimination persists in private housing despite city, state and Federal laws against it.

Mayor Lindsay said recently that the fight to get low-income units approved in middle-class neighborhoods was "a real bloodbath" politically because of white resistance to blacks moving in.

Another obstacle to public

sites that are vacant have usually been left alone by private developers for good reasons, such as ground that is too soft or hills that are too steep.

Limited sites also present problems in the slums, which are more congested and dense in New York than in most other cities. Usually, hundreds of families have to be relocated from rotting tenements wherever new housing is built.

To accomplish this, some neighborhoods, such as Coney Island, have been used for what community leaders call "dumping grounds" for relocatees from housing sites. Some families have been moved several times, always from tenement to tenement, rarely benefiting from the new housing for which they make room.

The city has tried to "make relocation a positive move upward," as one official put it, by moving tenement residents into existing public housing or new housing across the street or down the block before their homes are demolished to make way for new structures.

Much of the intricate planning required by this process has been done by community residents themselves, although some of them have complained that the city still has not given them enough power.

Neighborhood people, usually black or Puerto Rican, have usually been allowed to decide what buildings will be torn down, what kind of housing will go on the sites and who will own the completed projects.

In the view of some housing specialists, the city, in agreeing to some measure of community control, has simply ridden a wave of reaction to the old "bulldozer technique" employed in the nineteen-fifties by Robert Moses as chairman of the Slum Clearance Committee.

Rebellion against that centralized policy of urban renewal began in the later years of the Wagner administration, these observers note, and Mayor Lindsay has merely allowed it to move along its natural course.

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The blacks compromised and accepted a city plan for half-middle and half low-income apartments. But the whites, adamant, used their influence on Board of Estimate members to force the city to drop plans for one of the sites. It was a vacant lot, and it still is.

In another instance, planning for the Milbank-Frawley Circle urban renewal area in Harlem was snarled for years because blacks and Puerto Ricans were battling for control of the program.

Benefits Are Seen

City officials concede that there are sometimes delays. But more often, they say, renewal projects would take even longer without community support. Instead of planning relocation programs, residents would be blocking them.

The city has retained final authority over important decisions, however. City officials recently blocked attempts by leaders of the Harlem-East Harlem and South Bronx Model Cities areas to take complete control of the programs there. The result was an organization whose power is to be shared, in "partnership," by both the community and the city government.

The city's community involvement and relocation policies depend on small, "vest-pocket" housing sites scattered throughout a neighborhood, rather than on massive projects replacing whole neighborhoods with huge superblocks.

Charles J. Urstadt, the State Housing Commissioner, is extremely critical of the city's devotion to the "vest-pocket" approach, asserting that it takes as much work by planners to clear the way for 100 units as for 1,000, and what New York needs is a large quantity of housing in a hurry.

But advocates of the policy stress the importance of preserving a neighborhood's character, of retaining the structure and the roots of the people, because new buildings alone do not solve the problems of poverty.

This policy, and the attention to pleasing, efficient design, has delayed some projects and this annoys the specialists who want quantity. But to other experts the eventual gains outweigh the delays, for the resulting high quality, they say, may keep pace with the public's soaring aspirations.

Community involvement

hurt in the future. For since the demand for office space here is at least as strong as for apartments, many developers are turning toward office-building construction, where the income is higher and the tenants considered easier to deal with.

Private industry has built and owns 92 per cent of the city's 2.8-million residential units without Government subsidies. But privately financed apartment houses are now going up only in the most prestigious neighborhoods, such as Manhattan's East Side, and monthly rents are in the range of $100 to $150 a room.

Under the conventional rule that rent should not exceed 25 per cent of income, a family with a four-room apartment would have to earn nearly $20,000 a year to pay those rents. The median family income in the city is about $6,000 a year.

On Fifth Avenue just north of Washington Square, a young man, his wife and baby are living in a pleasant cooperative purchased a few years ago for $32,000. Now, looking for a larger co-op, he finds he can get $95,000 for his. An impressive profit?

"Peanuts!" he says. The apartment with the extra room he wants now will cost him $135,000 or more.

Although families in all income classes share facets of the same problem, the need for new housing is most acute in the hard-core slums, where the attraction for private money and private initiative is weakest. Most poor families do not have the option that the Fifth Avenue family has: a move to the suburbs.

For this reason, Mayor Lindsay reordered the housing priorities of previous administrations, which had concentrated on building up and preserving fringe areas around slums, but had avoided emphasis on the slums themselves.

Priorities Are Reordered

With encouragement from Washington, which wanted to attack the worst housing, the city shifted the focus to the major poverty neighborhoods, which are now New York's three Model Cities areas—the South Bronx, Harlem-East Harlem, and Central Brooklyn (including Bedford-Stuyvesant, Brownsville and East New York).

Under the Federally sponsored Model Cities program, Government effort is to be concentrated on hard-core slums in an attempt to deliver improved services, such as sanitation, education and medical care, and to raise the physical condition of the neighborhoods by building new housing, schools, parks and recreation centers.

outside, more low-income black and Puerto Rican families will continue to live in the bad neighborhoods. The neighborhoods may be improved, they contend, but there will be less opportunity for the poor to move to better parts of the city. The bitter racial ghettos will remain intact.

The city has tried to compensate for this by adopting a policy to set aside 20 per cent of the apartments in middle-income projects at reduced rents for low-income tenants, and by leasing units for the poor in existing privately owned buildings in good neighborhoods.

Nevertheless of the 21,024 low-income apartments in new projects and leasing programs approved since 1965 only 7,434 are slated for neighborhoods outside poverty areas, mostly in Queens and the Bronx. Most of these units are in projects that have not yet been built.

This concentration on building in the slums appears to be in conflict with a proposal of the National Advisory Commission on Civil Disorders, whose report Mr. Lindsay helped write.

"We believe," the commission said, "that Federally aided low and moderate-income housing programs must be reoriented so that the major thrust is in nonghetto areas."

New Construction Discussed

Asked about this in a recent interview, the Mayor said he thought new construction should be undertaken both inside and outside the slums.

"You have to do both," he said. "Obviously, what is desirable to achieve is the choice, in the long run. Given a choice, the average guy stays in his own community. Being locked out of a choice is what he doesn't like."

It is clear that publicly aided housing in good neighborhoods constitutes the best hope that poor nonwhites have for escaping the slums, since racial discrimination persists in private housing despite city, state and Federal laws against it.

Mayor Lindsay said recently that the fight to get low-income units approved in middle-class neighborhoods was "a real bloodbath" politically because of white resistance to blacks moving in.

Another obstacle to public housing outside the slums is the scarcity of usable vacant land, according to Albert A. Walsh, chairman of the city's Housing Authority.

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The planning process, for example, has often become a battleground on which contentious community organizations wage their wars for power and prestige. As a result, important projects have been delayed.

In Coney Island, for example, a predominantly black group wanted low-income housing on four sites along Surf Avenue. An association of businessmen, mostly white, wanted the housing for middle-income families.

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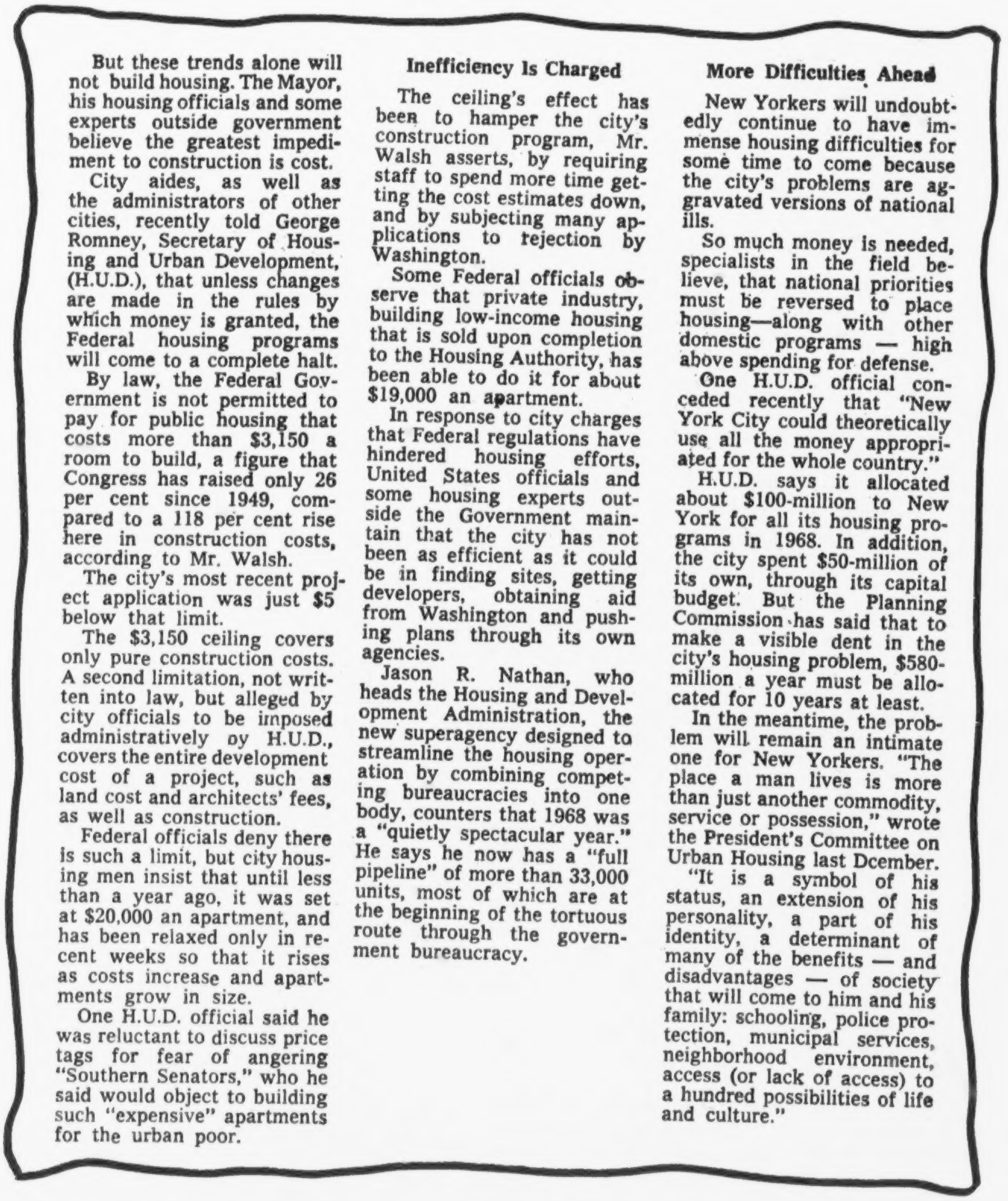
Community involvement has had other ramifications, such as pressure on construction unions to employ more nonwhites, the letting of contracts to black architects and black-owned demolition companies and ownership of some new buildings by nonprofit organizations based in the slums.



But these trends alone will not build housing. The Mayor, his housing officials and some experts outside government believe the greatest impediment to construction is cost.

City aides, as well as the administrators of other cities, recently told George Romney, Secretary of Housing and Urban Development, (H.U.D.), that unless changes are made in the rules by which money is granted, the Federal housing programs will come to a complete halt.

By law, the Federal Government is not permitted to pay for public housing that costs more than $3,150 a room to build, a figure that Congress has raised only 26 per cent since 1949, compared to a 118 per cent rise here in construction costs, according to Mr. Walsh.

The city's most recent project application was just $5 below that limit.

The $3,150 ceiling covers only pure construction costs. A second limitation, not written into law, but alleged by city officials to be imposed administratively by H.U.D., covers the entire development cost of a project, such as land cost and architects' fees, as well as construction.

Federal officials deny there is such a limit, but city housing men insist that until less than a year ago, it was set at $20,000 an apartment, and has been relaxed only in recent weeks so that it rises as costs increase and apartments grow in size.

One H.U.D. official said he was reluctant to discuss price tags for fear of angering "Southern Senators," who he said would object to building such "expensive" apartments for the urban poor.

Inefficiency Is Charged

The ceiling's effect has been to hamper the city's construction program, Mr. Walsh asserts, by requiring staff to spend more time getting the cost estimates down, and by subjecting many applications to rejection by Washington.

Some Federal officials observe that private industry, building low-income housing that is sold upon completion to the Housing Authority, has been able to do it for about $19,000 an apartment.

In response to city charges that Federal regulations have hindered housing efforts, United States officials and some housing experts outside the Government maintain that the city has not been as efficient as it could be in finding sites, getting developers, obtaining aid from Washington and pushing plans through its own agencies.

Jason R. Nathan, who heads the Housing and Development Administration, the new superagency designed to streamline the housing operation by combining competing bureaucracies into one body, counters that 1968 was a "quietly spectacular year." He says he now has a "full pipeline" of more than 33,000 units, most of which are at the beginning of the tortuous route through the government bureaucracy.

More Difficulties Ahead

New Yorkers will undoubtedly continue to have immense housing difficulties for some time to come because the city's problems are aggravated versions of national ills.

So much money is needed, specialists in the field believe, that national priorities must be reversed to place housing—along with other domestic programs — high above spending for defense.

One H.U.D. official conceded recently that "New York City could theoretically use all the money appropriated for the whole country."

H.U.D. says it allocated about $100-million to New York for all its housing programs in 1968. In addition, the city spent $50-million of its own, through its capital budget. But the Planning Commission has said that to make a visible dent in the city's housing problem, $580-million a year must be allocated for 10 years at least.

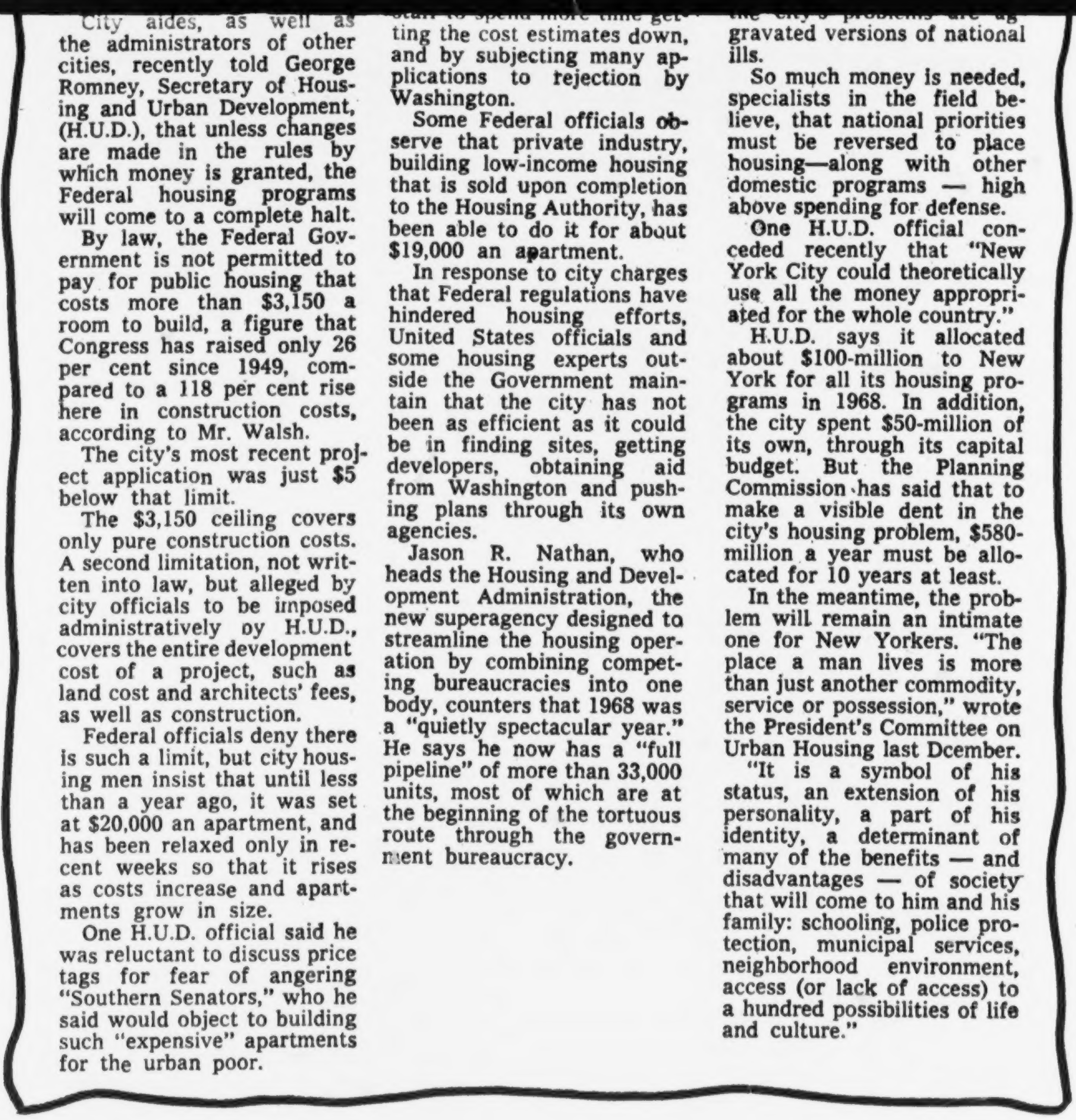
In the meantime, the problem will remain an intimate one for New Yorkers. "The place a man lives is more than just another commodity, service or possession," wrote the President's Committee on Urban Housing last Dcember.

"It is a symbol of his status, an extension of his personality, a part of his identity, a determinant of many of the benefits — and disadvantages — of society that will come to him and his family: schooling, police protection, municipal services, neighborhood environment, access (or lack of access) to a hundred possibilities of life and culture."

(From New York Times, 1969.)

Questions for Inquiry and Discovery

1. What does the housing problem mean to a low income family?
2. What does it mean to middle class families?
3. What new problems do poor and vacant land give rise to?
4. What obstacles are there to government action on the housing problem?
5. How do builders and landlords view rent control? Low income tenants? The city administration?



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6. How does the Model Cities Program try to deal with the housing and environmental problem of the city?

7. What problem does relocation present?

Questions for Discussion

1. Should the primary concern be the quantity of houses built or the aesthetics of the community? What are the costs when choosing?

2. How effective has community planning been in meeting the needs for better housing? What problems does it present?

Follow-up Activities

1. Students can survey their areas for the following housing categories:

   Abandoned buildings
   Substandard housing
   Multiple dwellings
   Single family dwellings

   In addition to analyzing the data the following questions can be raised:

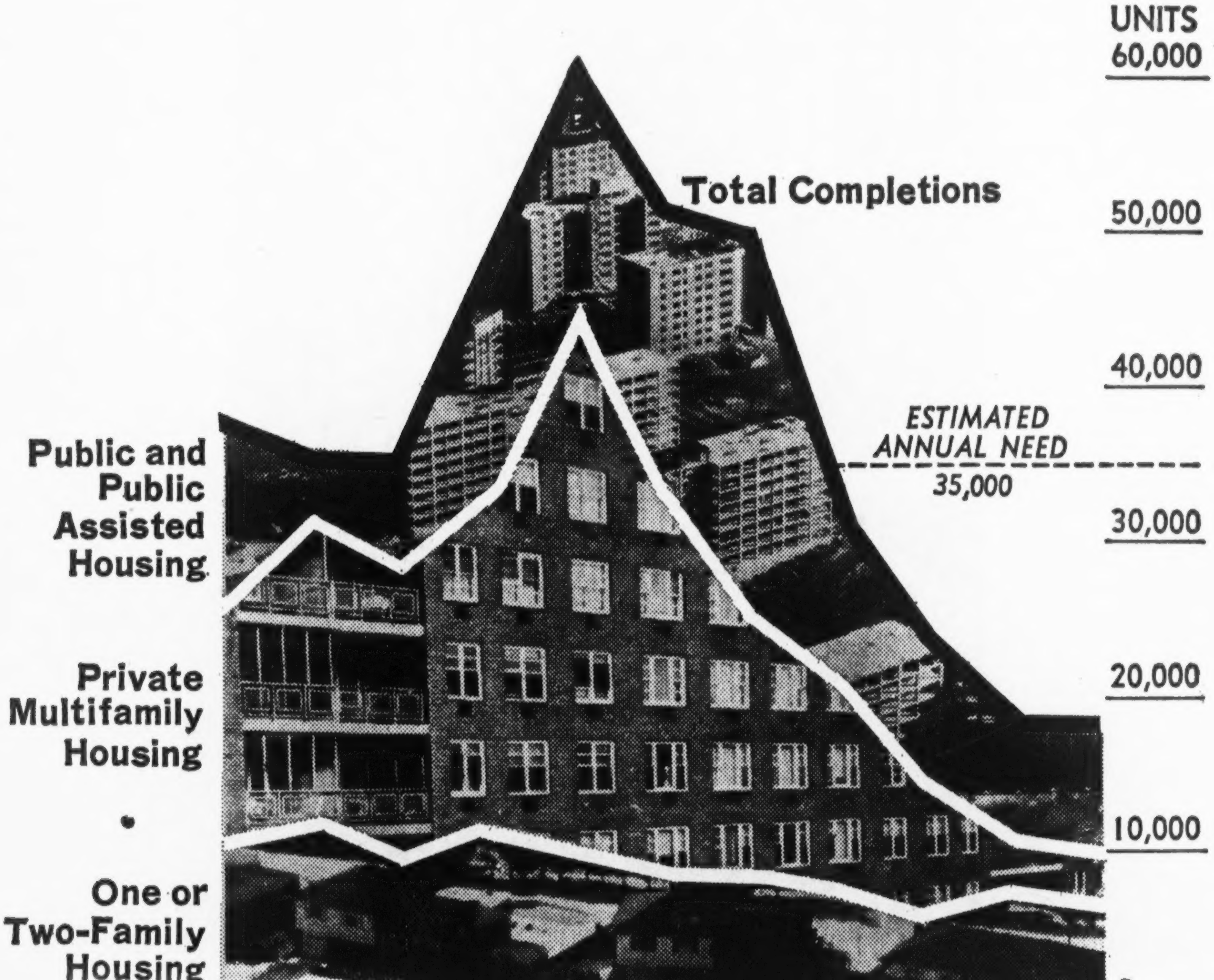
   1. What changes have occurred in the past five years? Year?

   2. What factors might have lead to these changes?

   3. How might the neighborhood housing situation be improved?

   4. How should the cost be covered?

2. The following graph can be used to develop an understanding of the housing problems facing New York City.



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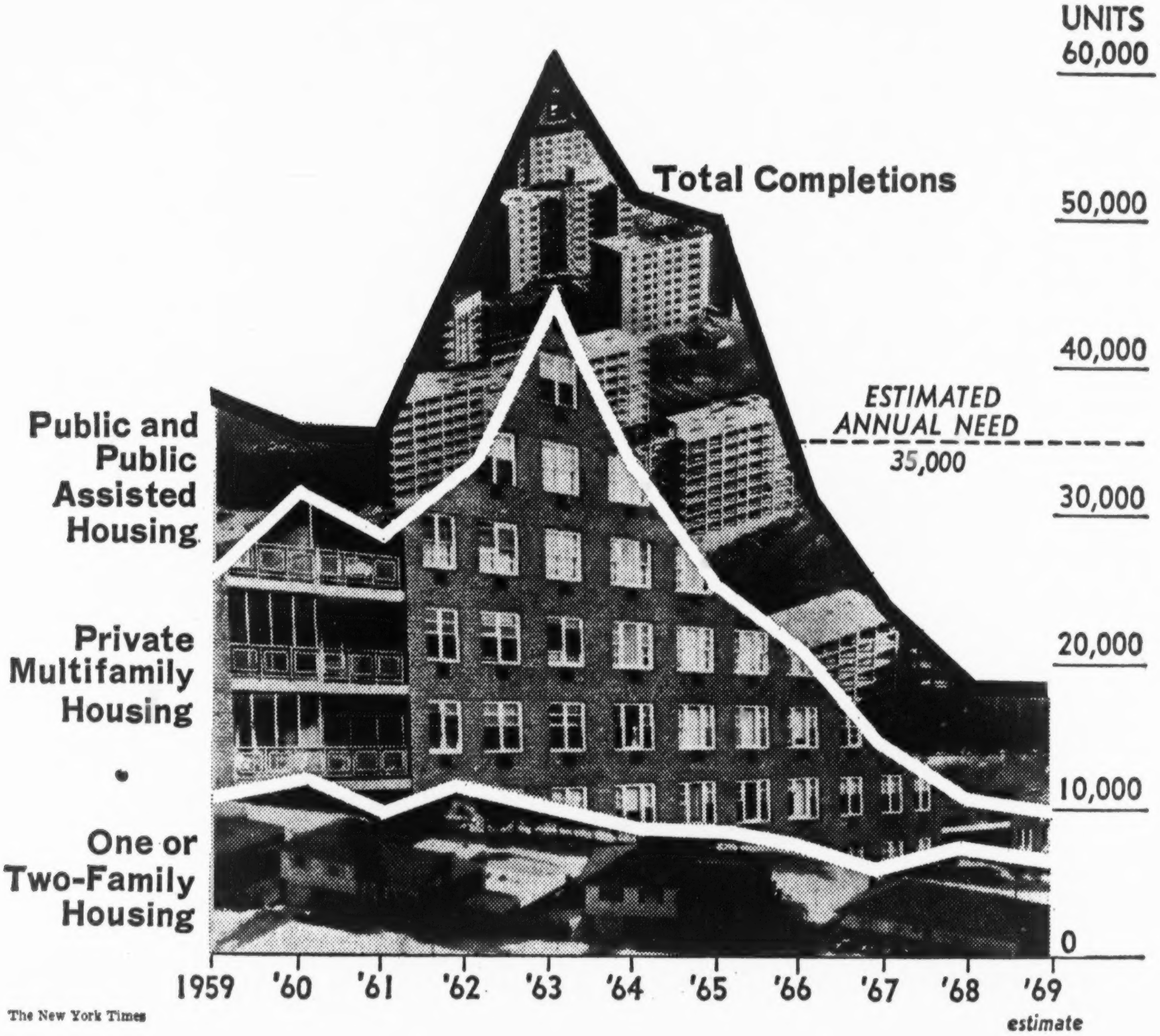


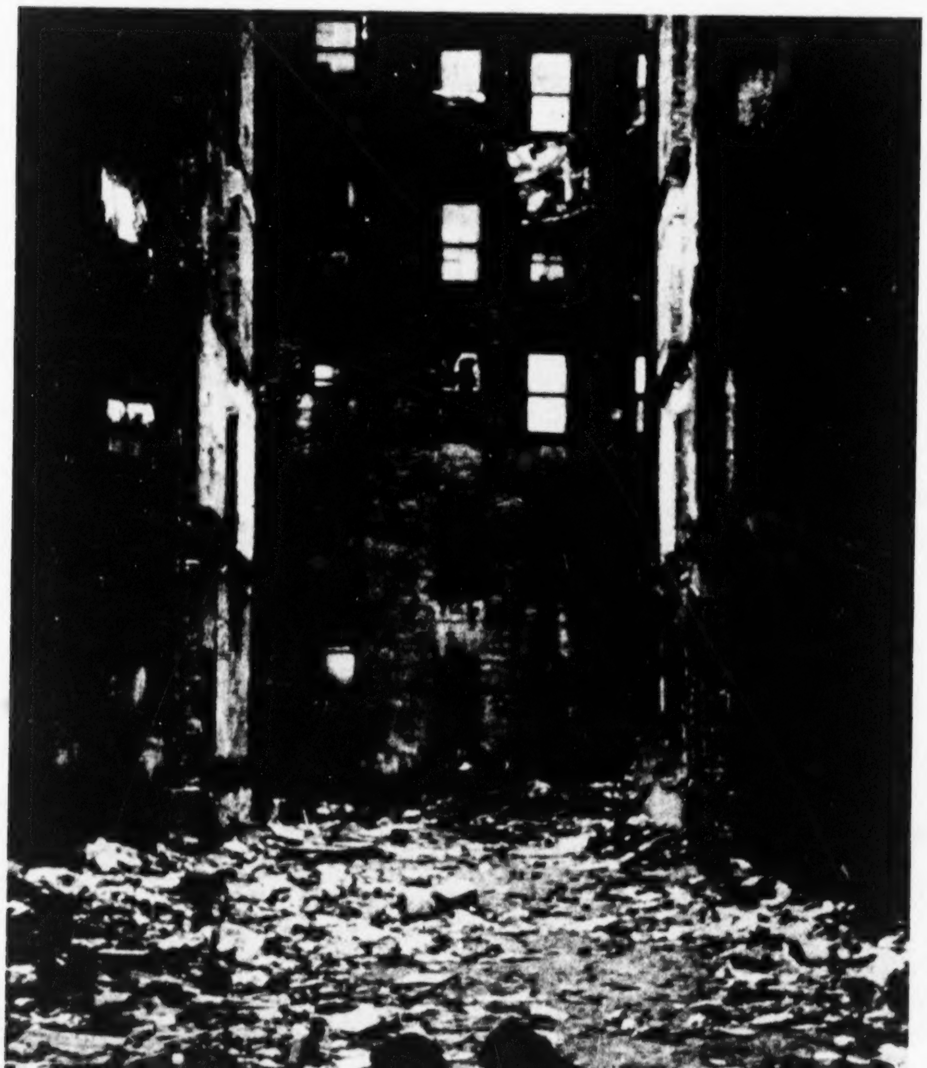
The New York Times

(Source: New York Times, 1970.)

Questions for Discussion

1. What has happened to the number of housing units built in New York since 1959?
2. How well has it taken care of the yearly need for housing?
3. Why has there been a steady decline in housing completions?
4. What steps would you recommend to the Mayor for solving the housing shortage?

B. Using a picture to draw inferences about land use.



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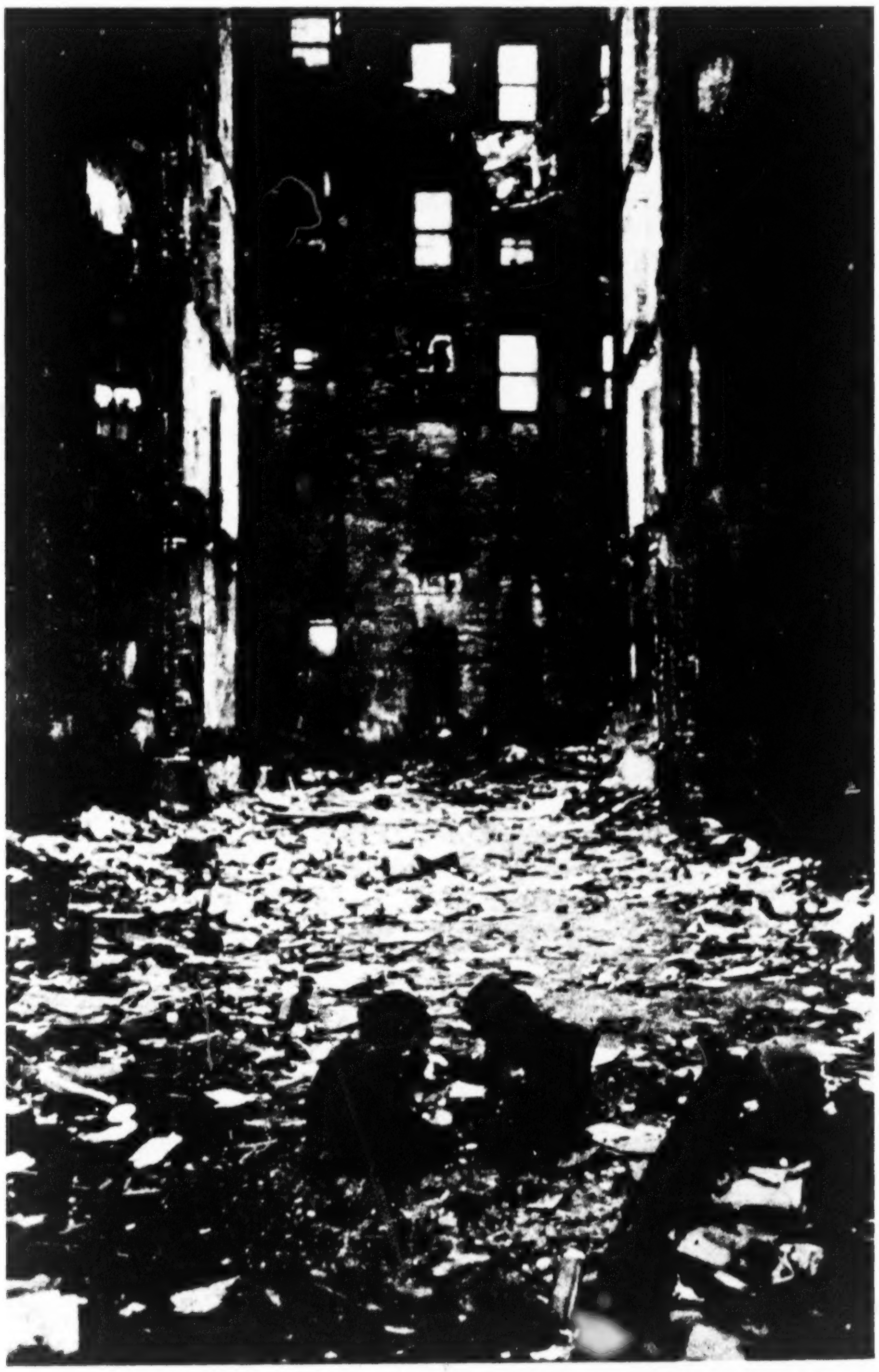

(From New York Times, 1967.)

Questions for Inquiry and Discovery

1. What evidences of poor land use do you see?

2. What costs of urban blight cannot be calculated in dollars and cents?

3. How do slums affect an entire central city? How do they affect the metropolitan region?

4. In how many different ways do we pay for slums?

5. What alternatives do we have for using this land? What are the consequences of each? Which would you choose? Why?

Follow-up Activities

1. Economic analysis through a case study
Housing for the City of New York

The City of New York has just acquired fifty acres of rolling, wooded land in a middle-income residential area noted for its shady, peaceful streets, neatly trimmed hedges, and well-kept lawns. While the community concedes that there is need for more housing, its citizens are badly divided as to how the land should be developed. In fact, at the next election, four questions will be put to the voters:

Alternative A: Should middle-income garden apartments be built with the bond issue for the project charged as a special assessment against the residents of the area?

Alternative B: Should low and middle income high rise apartments be constructed with funds from the state or federal government under a matching funds agreement?

Alternative C: Should the land be sold to a private development corporation for a private venture with no strings attached?

Alternative D: Should the land be developed as a park with the costs borne by the community as a special assessment?

Questions

1. Which alternative would win your vote?
2. Why do you think yours is the best solution?
3. What problems may arise if your plan wins the referendum?
4. Which of the alternative plans, if any, would you accept? Why?
5. Which of the alternative proposals would you vigorously oppose? Why?

A lesson plan for an informal discussion on the issues raised by the case study would involve the following steps:

First: Reading of the selection by the class and clarification of the facts.

Second: Jotting down of answers to the five questions by the students.

Third: Reading aloud of some of the answers by individual students who wrote them.

Fourth: Discussion, giving all points of view a fair hearing.

Fifth: Summary by polling the class on each issue. (In the decision-making phase, the class should grapple with the question of which policy is best and why. No consensus

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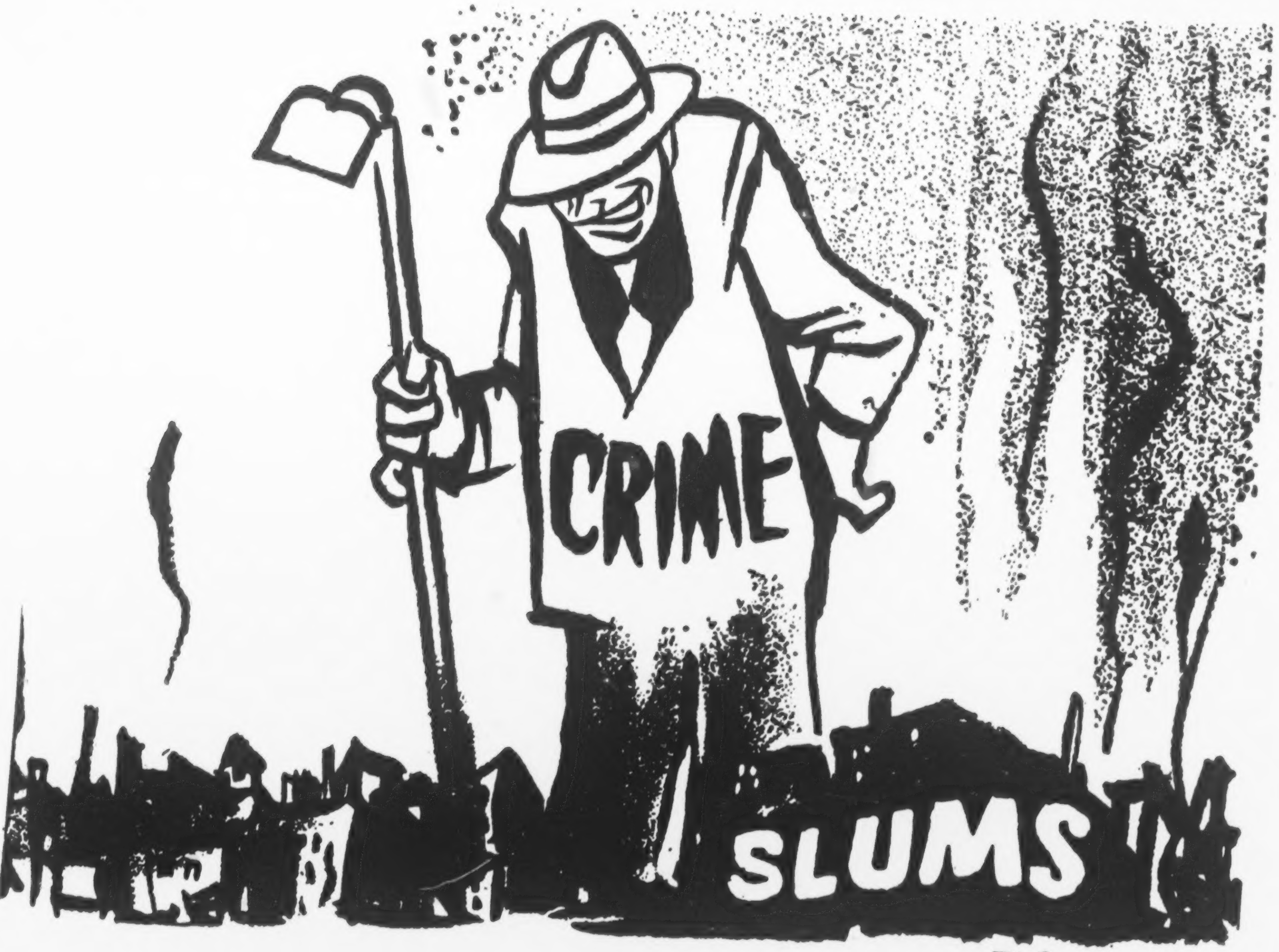
Fifth: Summary by polling the class on each issue. (In the decision-making phase, the class should grapple with the question of which policy is best and why. No consensus need be reached.)

The lesson plan is useful for teaching or reviewing several economic concepts and issues: the ever-present question of opportunity costs; the advantages and disadvantages of government participation in economic life (how much and at what cost; the use of economic analysis in decision-making, and questions of "values" in economic life, economic "progress" versus "the quality of life" in a suburban community.)

*2. Use the following cartoon to develop the relationship between slum conditions and crime.



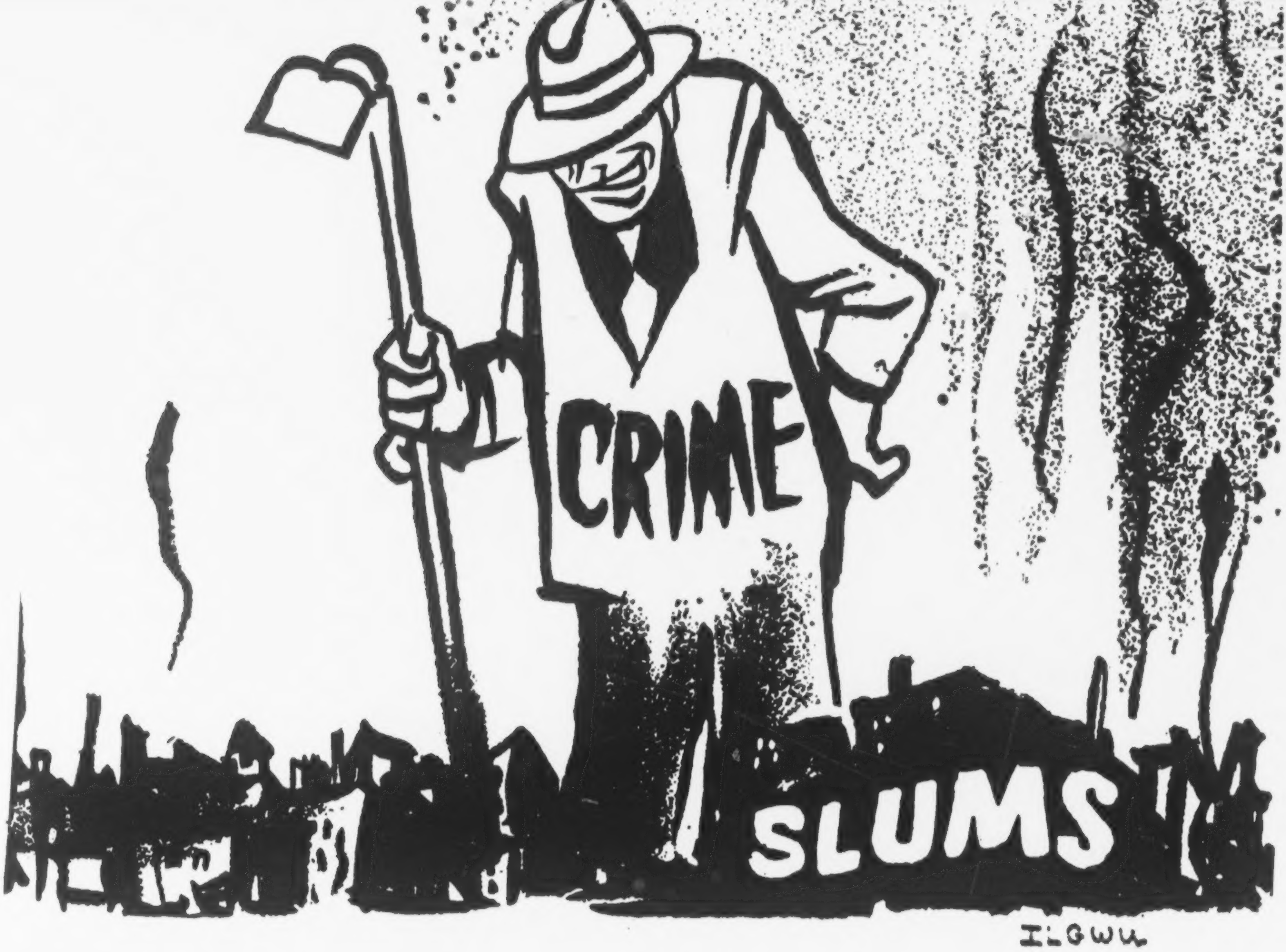
1. What is a good title for this cartoon?

2. Why does the cartoonist "tie" crime to the "slums?"

3. What seems to be growing in the slums? Why?

4. In the cartoonist's view, how might we attack the problems of crime?

**3. Students can study the recommendations of the National Commission on the Causes and Prevention of Violence to see the relationship between urban blight and crime. The following questions can be raised:



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1. What are the major reasons for crime in the cities?

2. What are the major proposals for fighting crime in cities?

3. What are the costs involved?

4. Who should assume the costs?

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*Recommended for Students Achieving Below Grade Level.
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4. Show the filmstrip - Housing for All, (Current Affairs Films, 527 Madison Avenue, New York, N. Y.)

This filmstrip can be used to survey current problems in public and private housing. Students can relate the problems shown in the filmstrip to the following chart:

The Quantity and Quality of New York City's Housing

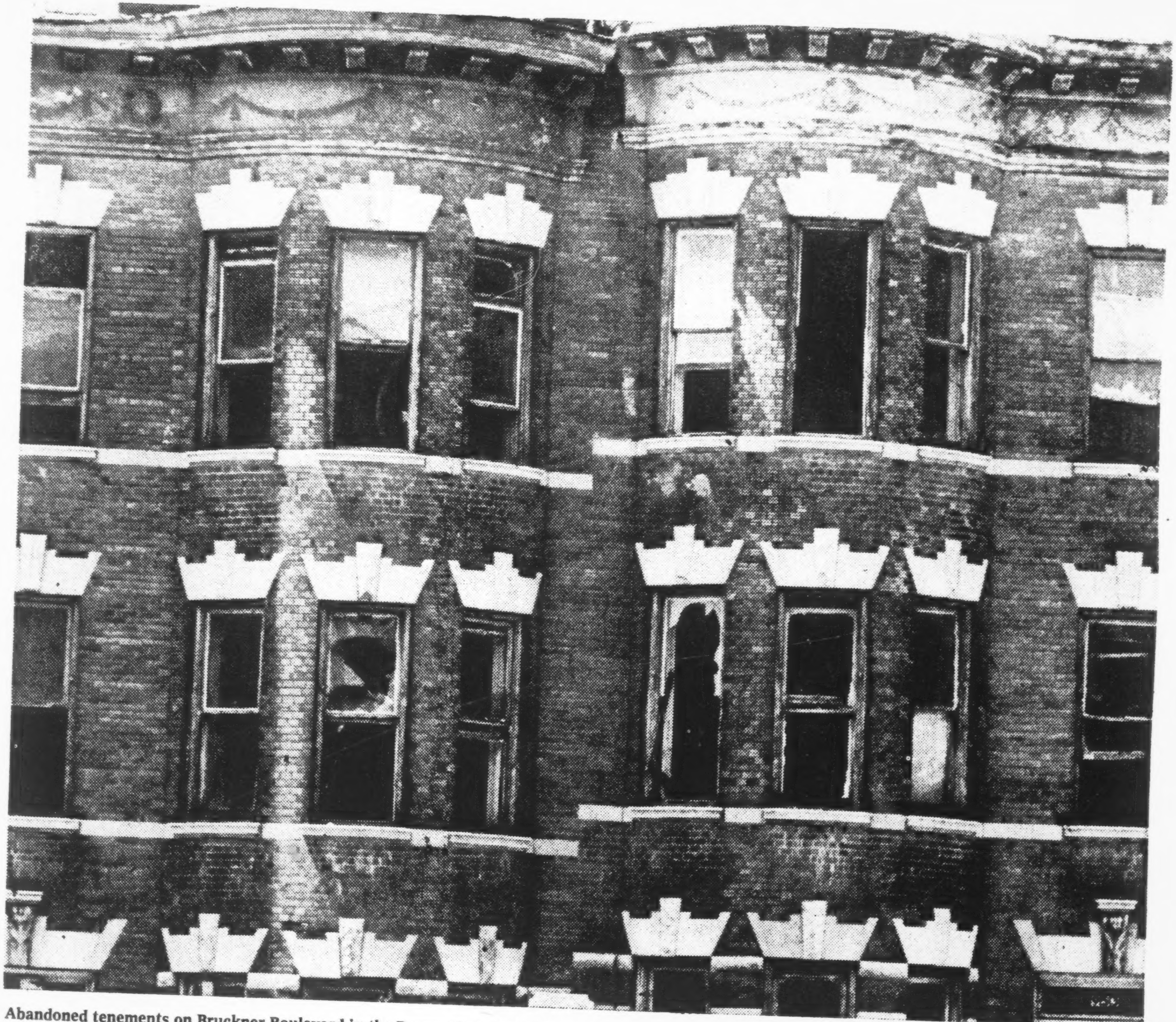
Quantity		Quality	
Rent Controlled	48%	Sound, with all facilities	81%
Homeowner & Cooperative	24%	Deteriorating with all facilities	13%
Public Housing	5%	Dilapidated or lacking facilities	6%
Decontrolled	8%		
Never Controlled	14%		

(Source: U.S. Bureau of the Census)

Questions for Discussion

1. How has rent control created some of the problems seen in the filmstrip?
2. How does rent control help alleviate some of the problems seen in the filmstrip?
3. Should rent be left to the free market? Should government regulate rent? Why?
4. How has cooperative housing contributed to the solution of the housing problem?

5.



Photographs for The New York Times by EDWARD HAUSNER

Abandoned tenements on Bruckner Boulevard in the Bronx. Vacant structures have demoralizing impact on neighborhood, and the deterioration spreads.

(From New York Times, 1969)

Excavating at urban renewal project, Columbus Avenue at 90th Street. In background are middle-income apartments.

(From New York Times, 1969)

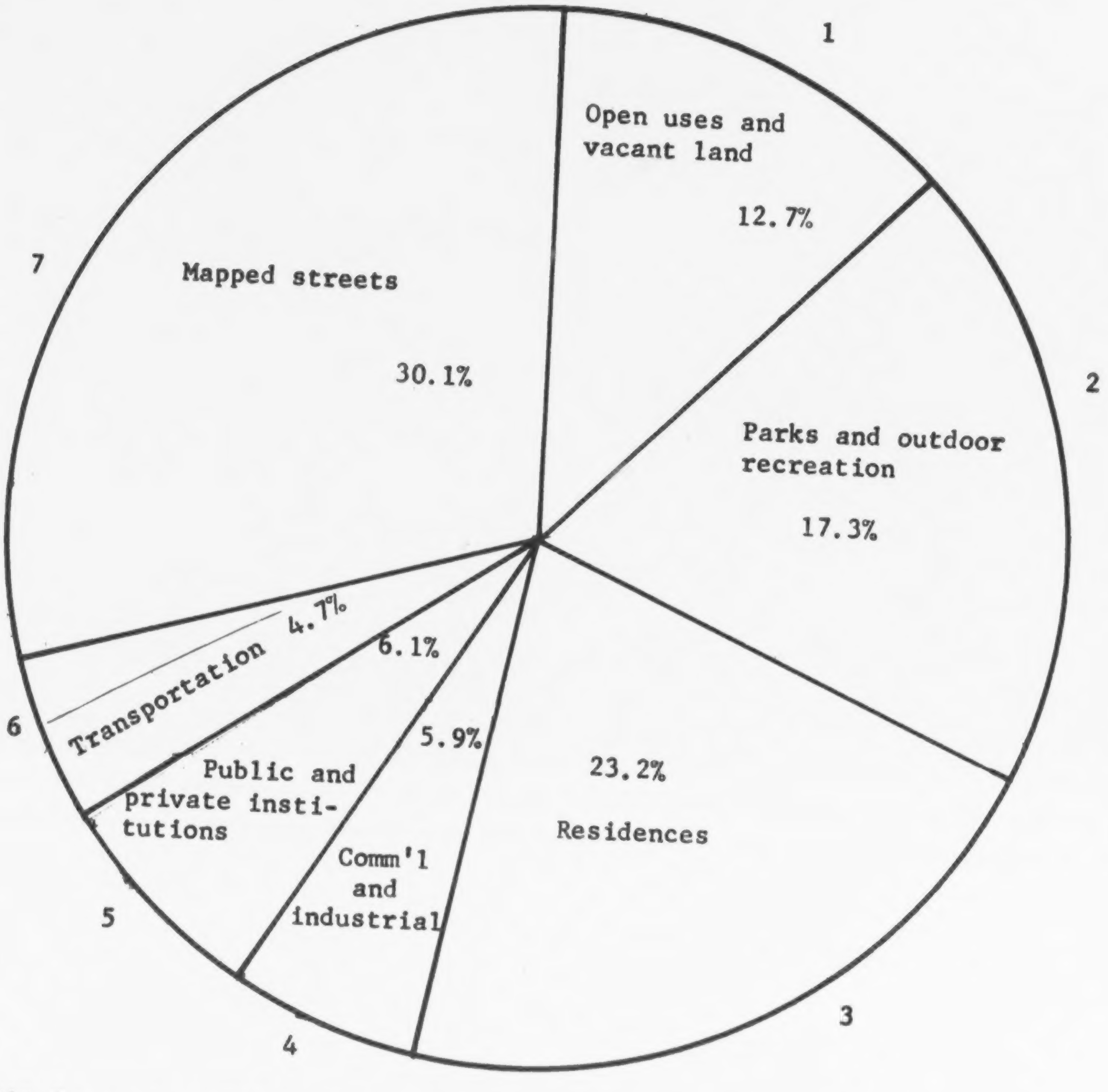
Questions for Discussion

1. Why are buildings abandoned?
2. How do abandoned buildings affect city housing? A neighborhood? The city?
3. How does the building of low and middle income housing affect the city?
4. What City, State and Federal Programs have been developed to deal with the variety of housing and environmental problems in New York City? How effective are they? Why?

6.

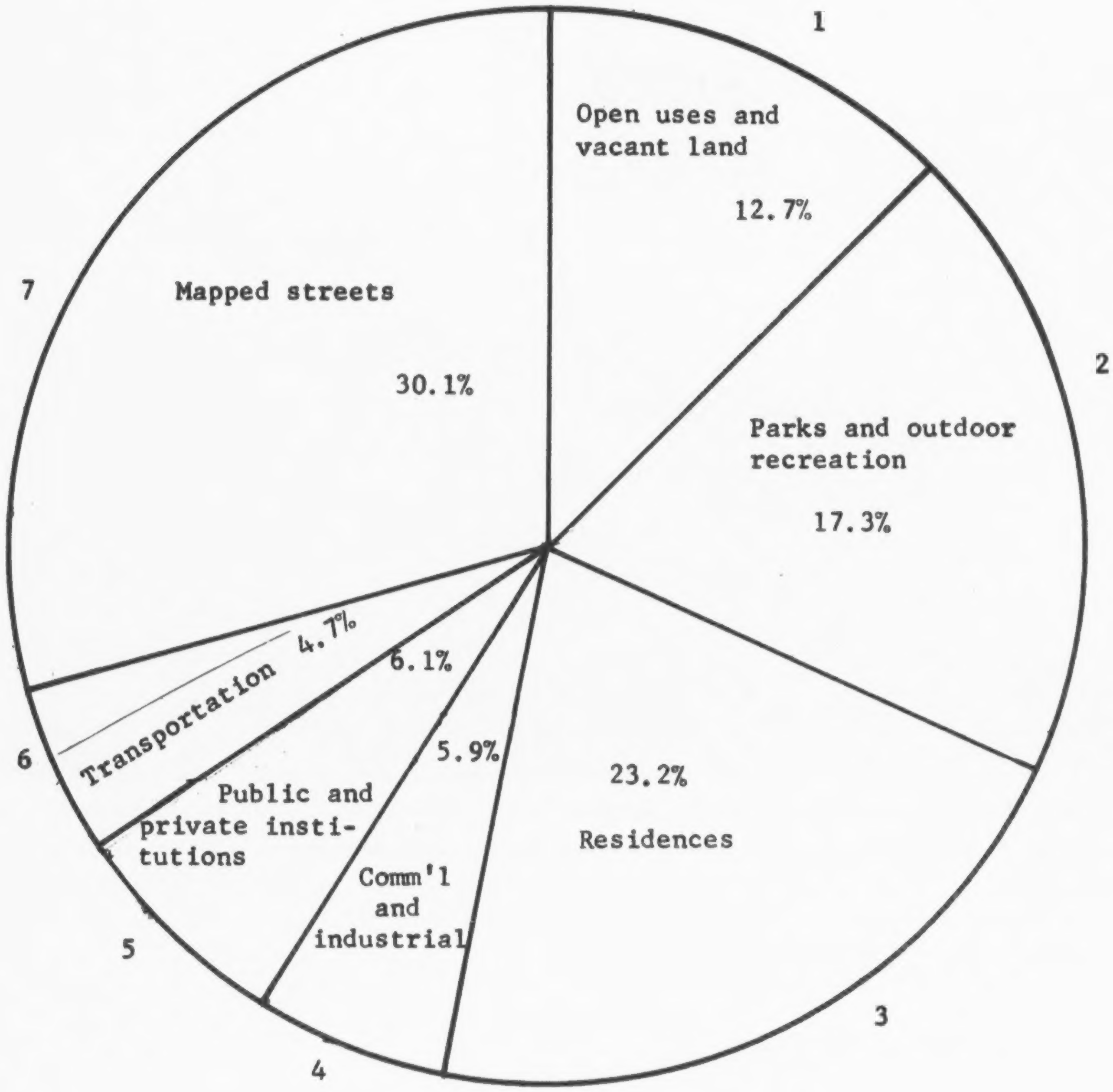
LAND USE - NEW YORK CITY

Total gross area: 204,681 acres



1.	26,041.9 acres.	Includes parking lots, used car lots, farms, junk yards.
2.	35,468.7 acres.	
3.	47,524.4 acres.	Includes 1- and 2-family houses, apartments, hotels, motels.
4.	12,058.5 acres.	Includes offices, stores, warehouses, storage yards, light and heavy industries, automotive industries.
5.	12,399.1 acres.	
6.	9,641.0 acres.	
7.	61,547.4 acres.	

Total gross area: 204,681 acres



1. 26,041.9 acres. Includes parking lots, used car lots, farms, junk yards.
2. 35,468.7 acres.
3. 47,524.4 acres. Includes 1- and 2-family houses, apartments, hotels, motels.
4. 12,058.5 acres. Includes offices, stores, warehouses, storage yards, light and heavy industries, automotive industries.
5. 12,399.1 acres.
6. 9,641.0 acres.
7. 61,547.4 acres.

Questions for Discussion

1. Why might the desire to provide recreation facilities, housing and commercial space come into conflict?
2. Which should be given priority? Why?
3. How does this chart illustrate the problem of opportunity cost?

7. The City Planning Commission's Master Plan for New York City evaluates the environmental needs of New York City and makes several recommendations.

Environment

"To keep good neighborhoods from going down, we must help poor neighborhoods go up," the play says. It opposes large-scale projects that destroy "neighborhood fabric" and promises "as much emphasis on maintenance and rehabilitation as on new construction."

"Stores and commercial activities that give life to an area will not be banned from projects, but mixed in with them," the play says. It favors "vertical zoning" construction that might put industry on lower floors, with offices or apartments on upper floors in such areas as Two Bridges, lower Manhattan and the 207th Street subway yards in Washington Heights.

Residential areas are divided into categories for different "community improvement strategies" as follows:

"Major action areas" -- slum such as Bedford-Stuyvesant, South Bronx-Morrisania, Harlem-East Harlem and South Jamaica. These would get "two-thirds of all resources currently available" for housing programs, along with increased community facilities.

"Preventive renewal areas" -- mostly close to slums, including the Grand Concourse, Washington Heights, East Flatbush and Corona-East Elmhurst, with 79 percent non-Puerto Rican white populations. These would receive 30 percent of middle-income housing and land write-down resources for stabilization and improvement.

"Mixed residential and industrial areas" -- such as Hunts Point, Long Island City, Maspeth, Greenpoint, Williamsburg, South Brooklyn, Red Hook and Gowanus, whose populations are more than 70 percent white. The plan disagrees with existing zoning for only housing or industry in such areas, asserting this has prohibited improvements in nonforming uses.

"Sound areas" -- which are said to house 38 percent of the population. These were promised "a major part of the new transit program" and new storm water and sanitary systems. No specific neighborhood was listed in this category.

"New development areas" -- outlying site such as South Richmond, Jamaica Bay, the northeastern Bronx, Floyd Bennett Field and Governors Island, or such close-in sites as landfills, as in Battery Park City; air rights, over the Penn Central tracks in Harlem and the Harlem River shore in the Bronx.

"No park, not even Central Park, is kept up to a decent standard," the planners say. They urge a park cleanup, with new state and Federal operating aid.

Questions for Discussion

1. How does the plan intend to meet the needs of slum areas?
2. How will "preventive renewal" foster the growth of New York?

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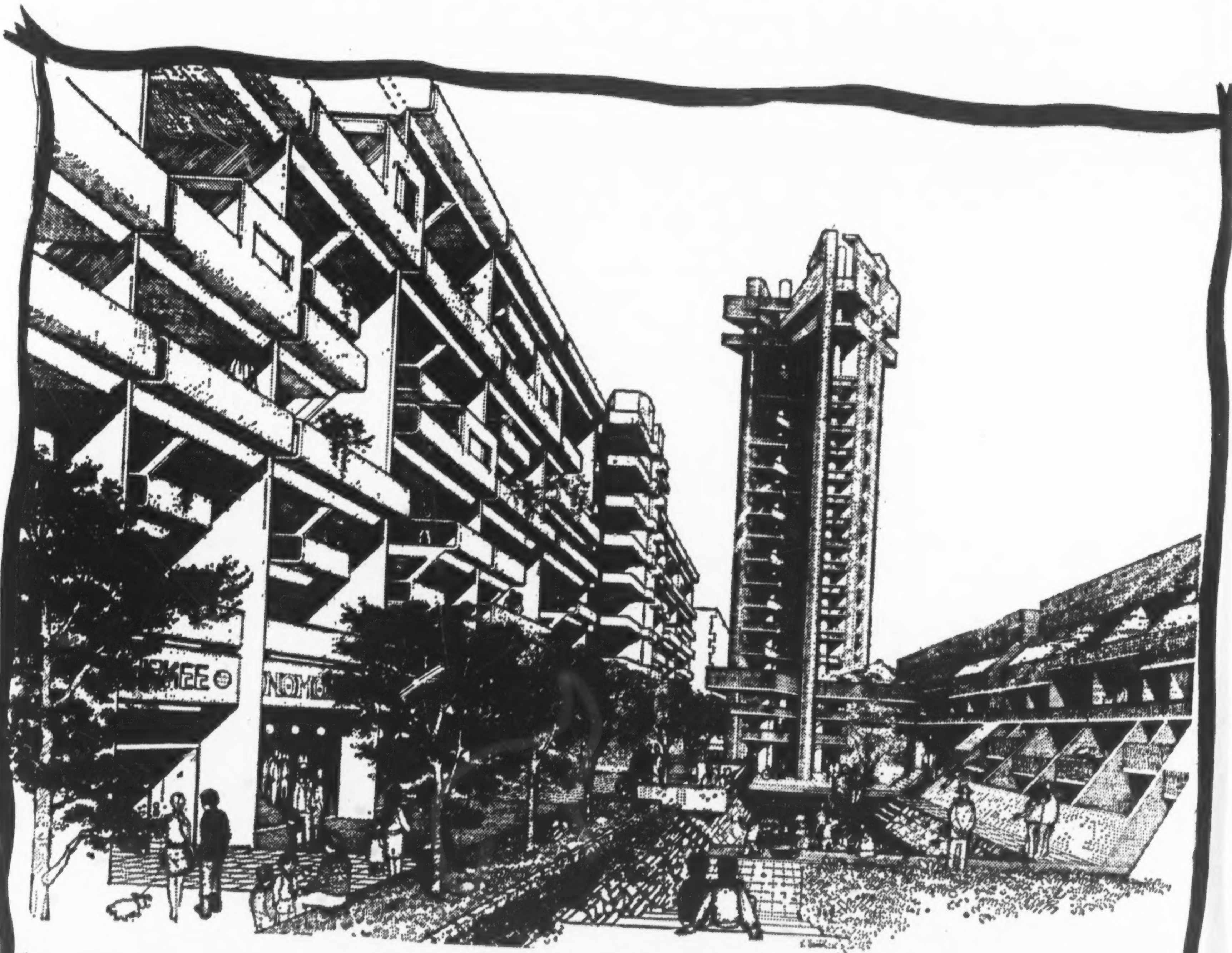
Questions for Discussion

1. How does the plan intend to meet the needs of slum areas?

2. How will "preventive renewal" foster the growth of New York?

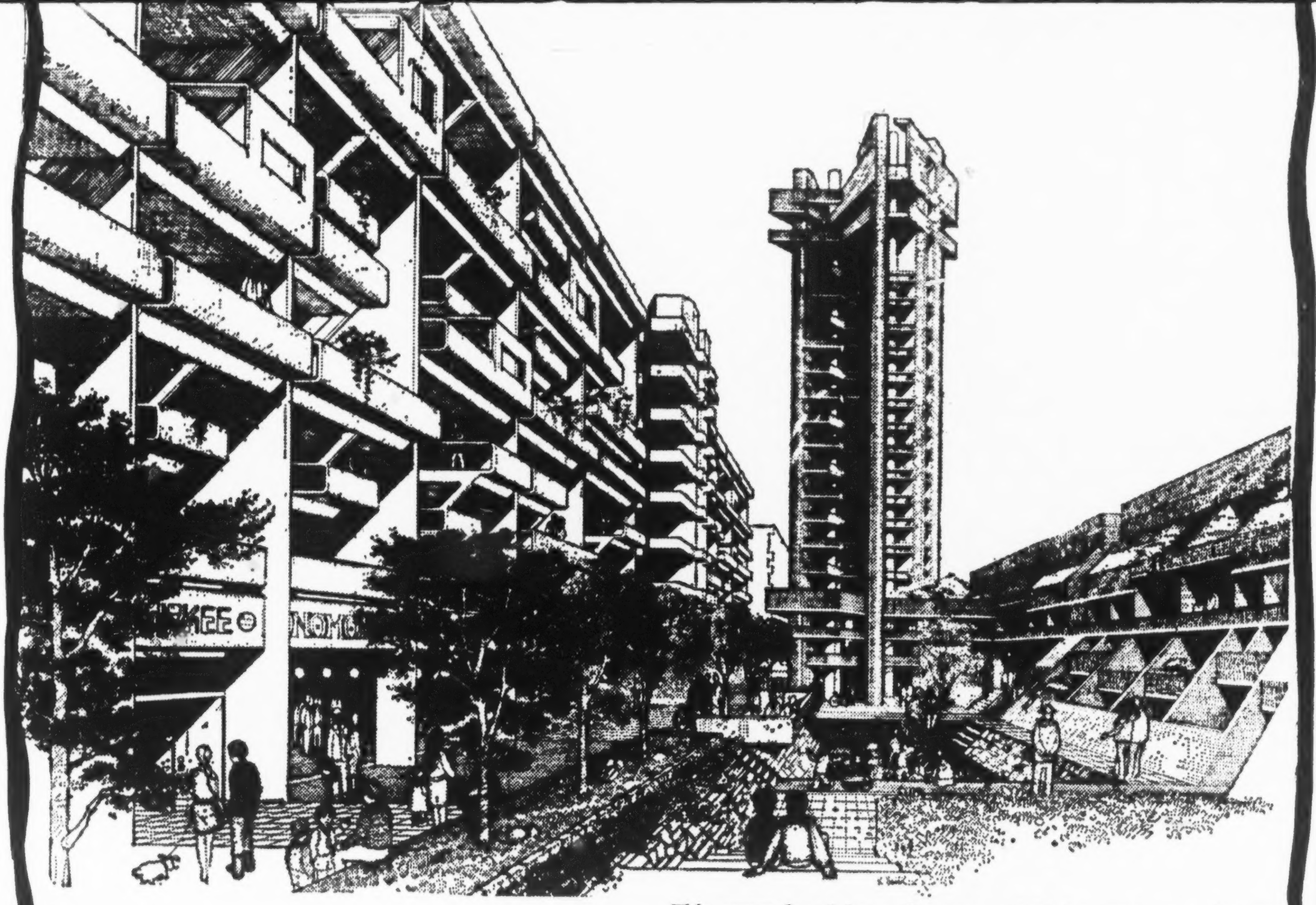
3. What role will zoning play in the solution of problems?

4. From the picture below, how does the plan provide for better land utilization? What are the benefits? What are the costs?



This example of how air space might be used over the Penn Central Railroad tracks in the Bronx is part of a Master Plan for New York

(From New York Ti



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(From New York Times, 1969)

A valuable resource for teachers is the Master Plan for the City of New York, 6 vols., City Planning Commission, 1970. These volumes contain the Philosophy of Planning, maps of all areas in each borough, historic background for each area and other valuable information.

8. The Report of the National Advisory Commission on Civil Disorders recommended the following programs for urban housing:

   - Expansion and modification of the rent supplement program to permit use of supplements for existing housing, thus greatly increasing the reach of the program.

   - Expansion and modification of the below-market interest rate program to enlarge the interest subsidy to all sponsors and provide interest-free loans to nonprofit sponsors to cover pre-construction costs, and permit sale of projects to nonprofit corporations, cooperatives, or condominiums.

   - Creation of an ownership supplement program similar to present rent supplements, to make home ownership possible for low-income families.

   - Federal write down of interest rates on loans to private builders constructing moderate-rent housing.

- Expansion of the public housing program, with emphasis on small units on scattered sites, and leasing and "turnkey" programs.

- Expansion of the Model Cities program.

- Expansion and reorientation of the urban renewal program to give priority to projects directly assisting low-income households to obtain adequate housing.

  1. How do these proposals differ from the New York City Master Plan? How are they alike?

  2. What purpose would be served by each of the proposals?

  3. What problems can you foresee in terms of cost, government responsibility, social conflict?

9. An understanding of City Planning can be developed by showing the filmstrip Planning Our Cities (Current Affairs Films.) This filmstrip shows how City Planning Commissioners are trying to direct city growth and development.

C. Using a sample lesson plan for teaching about pollution.

Students can be assigned to read the New York Times articles "The Changing City: Tide of Pollution," June 4, 1969. (This article as well as others in the series dealing with city housing, health, education and finance problems were reprinted in a booklet The Changing City available through the New York Times Education Division.)

Aim: How can our environment be conserved?

Case Study of Pollution

Motivation: Show the class the pictures of air pollution in New York City that appear on the following pages.

What does each picture show?
What problem do these pictures present for our society?

Key Questions for Development:

1. Why does the City of New York have a high concentration of pollutants? What are the major causes?

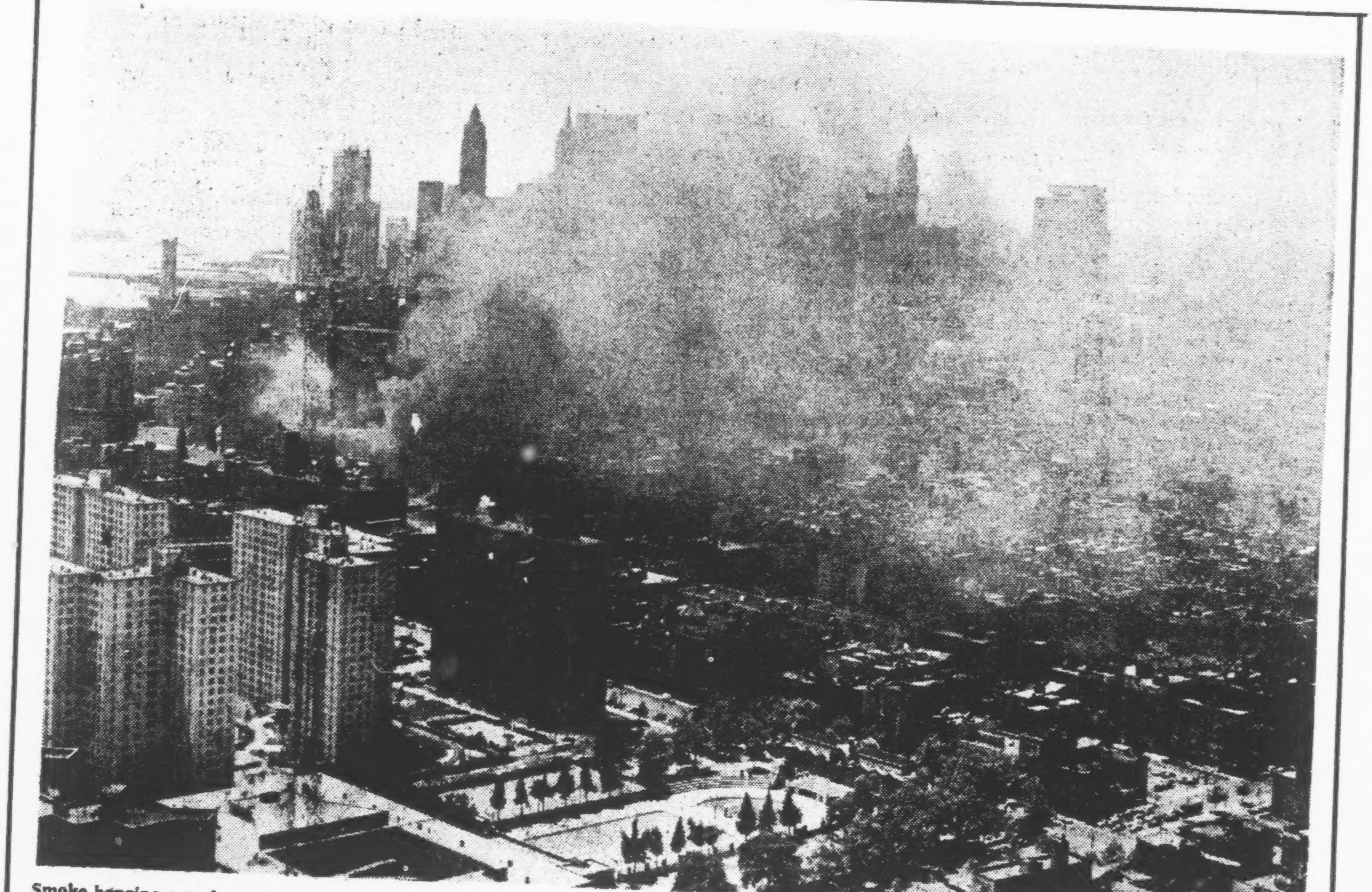
2. How does pollution lead to economic as well as health losses?

3. How can industry help in the fight against pollution? How have they resisted? What are the costs?

4. What roles are there for the individual in the fight against pollution?

5. How have the jurisdictional problems between local, state, regional and Federal governments hindered the solution of the problem?

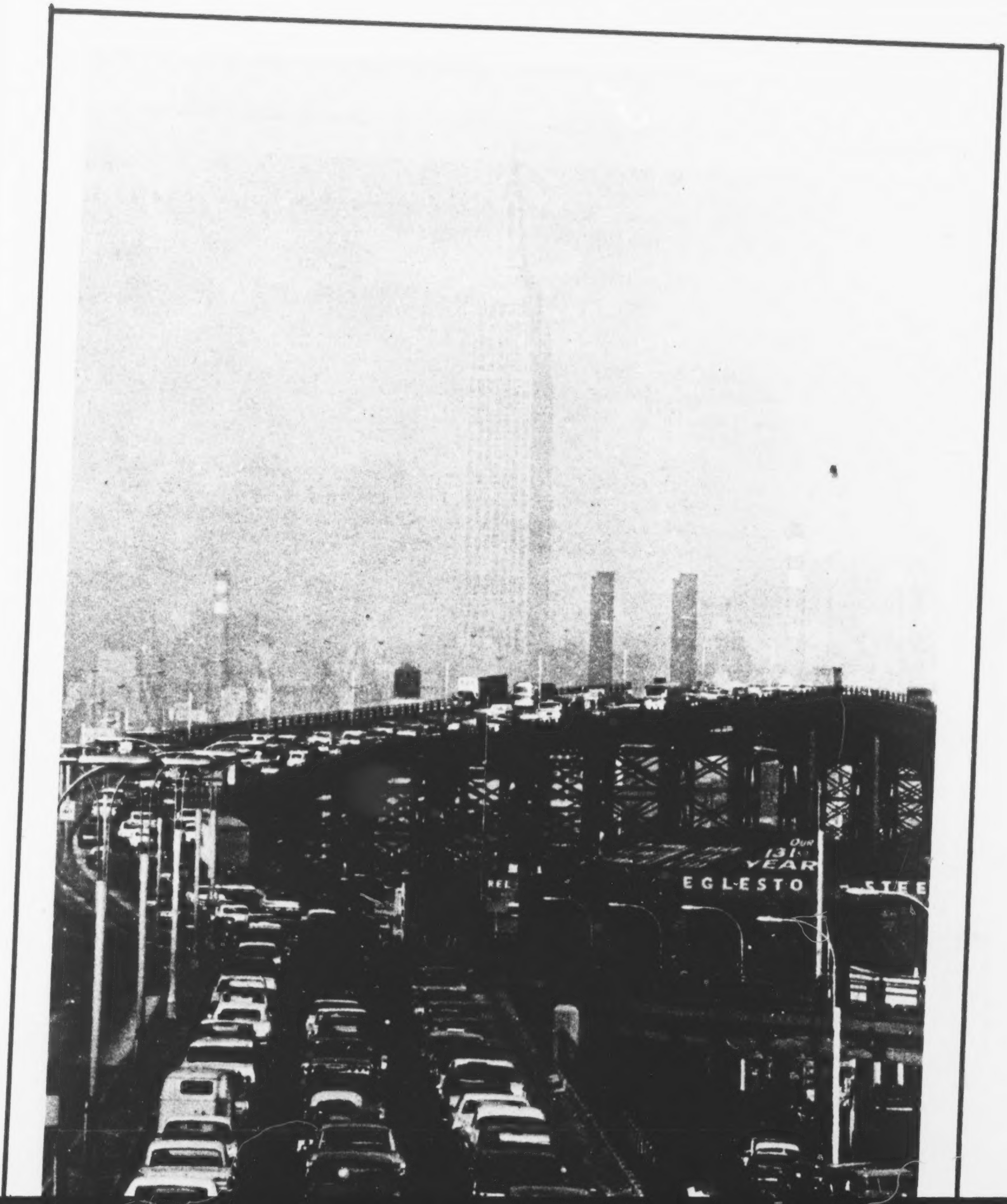
6. Who will pay the costs? Shall it come from business profits? Higher consumer prices? Government tax revenue? Wage limitations?



Photographs for The New York Times by EDWARD HAUSNER

Smoke hanging over lower Manhattan. View is looking south, with Brooklyn Bridge upper left. In foreground is Hamilton Fish Park, Masaryk Towers.

(From New York Times, 1969)


OUR 131st YEAR
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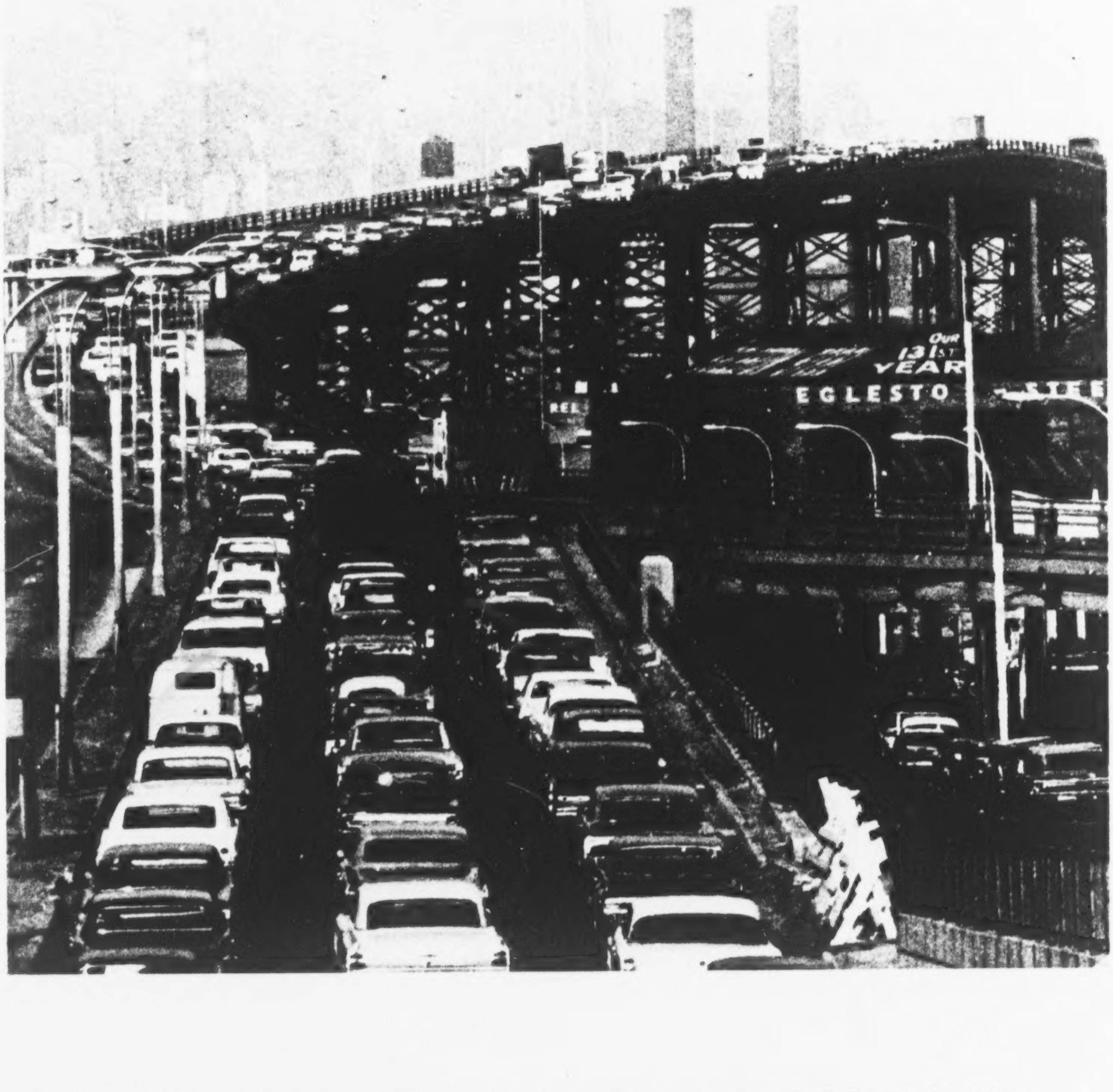
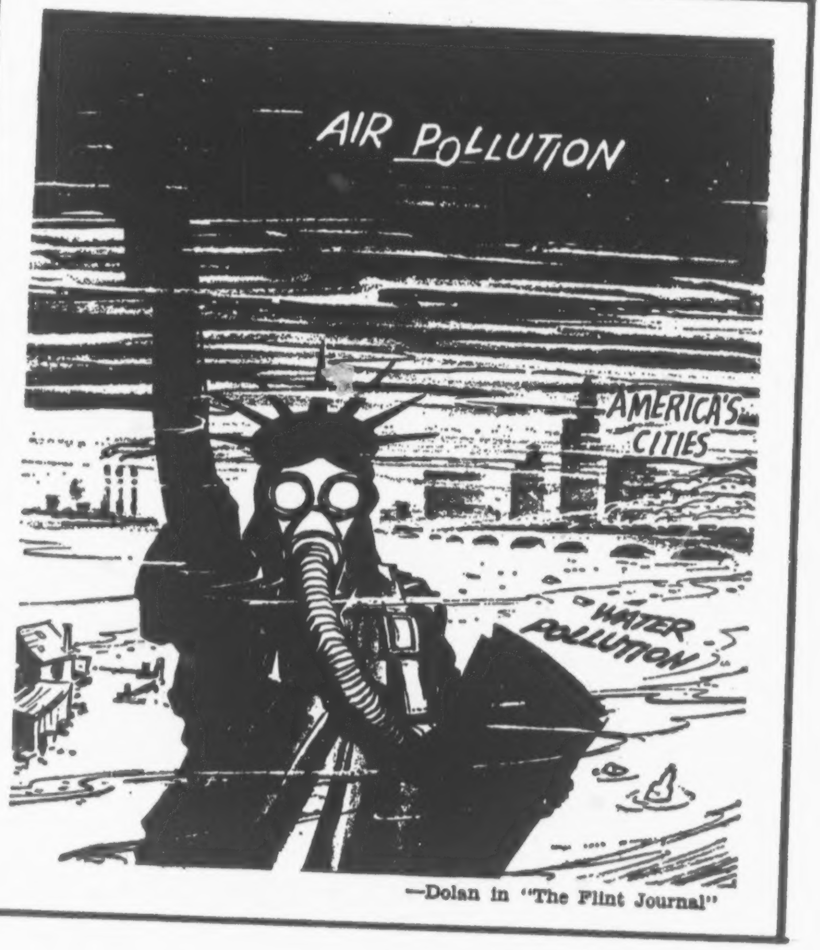

OUR
131ST
YEAR
EGLESTO

Motor vehicles crowd into New York City, pouring exhaust fumes into the atmosphere and clouding the skyline - 1965 - U.S. Public Health Service

Summary: Use the cartoon below and ask the following questions:

1. Why is the Statue of Liberty wearing a mask?
2. How can cities fight air and water pollution?



—Dolan in "The Flint Journal"

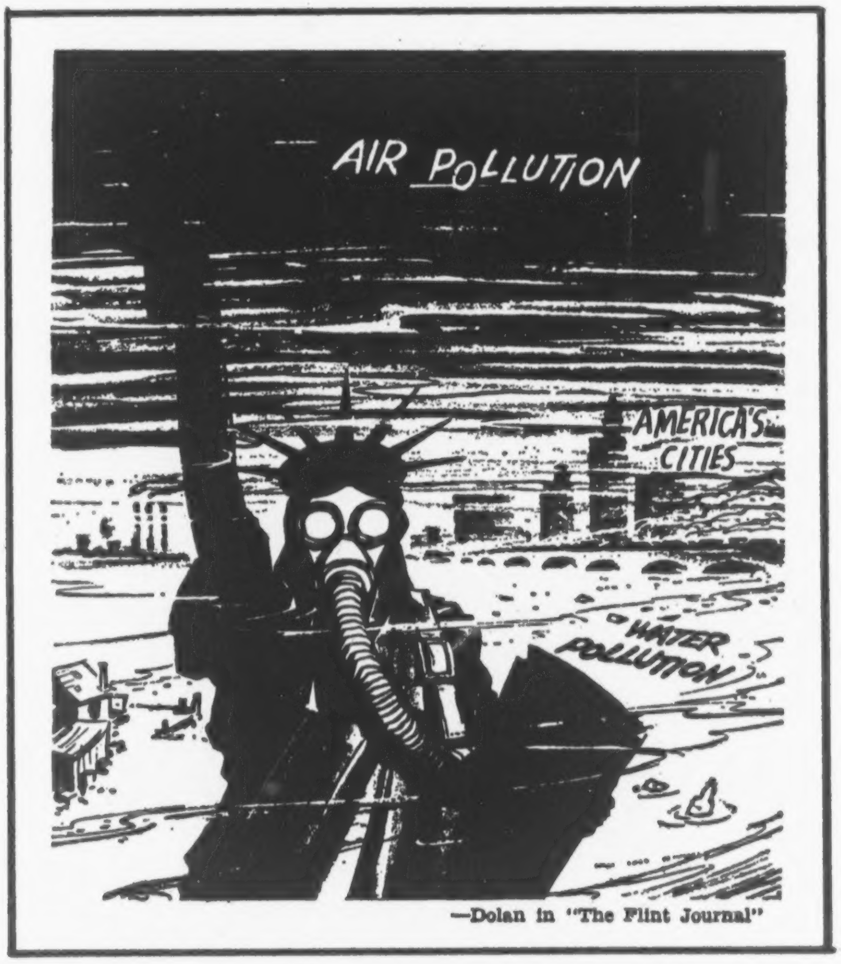
Application:

Problem for Analysis

Imagine that you are a member of a community council. The chemical plant in your area dumps waste into the local river and billows huge clouds of colorful, but pungent, smoke into the air. The firm employs seventy-five local inhabitants and purchases supplies and trucking services from local business.

As a result of the dumping of chemical waste into the river, the water is polluted and unfit for drinking. The river is also losing its charm as a recreation area because the pollutants have killed many fish and have made the river unattractive for bathing.

1. If the community council orders the plant to stop dumping chemical wastes into the river, the plant might be forced to move to another area. Explain how you would vote on this issue.
2. If the community council votes to require the chemical plant to install special equipment to reduce the pollutants discharged into the river, the plant might



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2. If the community council votes to require the chemical plant to install special equipment to reduce the pollutants discharged into the river, the plant might also move unless the expense is partially paid for by the community. This may be in the form of a direct cash subsidy or a tax rebate to the firm. Explain how you would vote on this issue.

3. How does this problem illustrate the interdependence of the community?

Follow-up:

1. Have students survey the community to detect sources of pollution. Attention should be directed to automobile exhaust fumes, incinerator burning, open-lot burning of junk, fumes from industrial plants. Ask pupils to look for damage in face of buildings, metals and landscape.

2. Students can take action based on findings: letters to newspapers, city, state and federal officials.

3. Students can debate the following issues:

    a) Can technology cure or control the problems created by pollution?

    b) Is pollution a public or private responsibility?

Some of the economic questions that can be raised are:

1. How can production methods be changed to prevent pollution?

2. How can consumption be changed to help control pollution?

3. How can the re-use of wastes increase productivity?

4. How can a market economy absorb the costs of pollution?

5. Should tax incentives be used to control pollution?

6. What effect might pollution controls have on future production, prices and capital investment?

*7. To review the problems of conserving our city environment the class can be shown the film, *Cities in Crisis: A Matter of Survival* distributed by Universal Educational and Visual Arts, 221 Park Avenue South, New York City 10003.

Summary of Film:

The film begins with a colorful montage of the urban environment. It brilliantly captures the variety and frenzy of city life. Noting this, the film explores, visually and verbally, two important urban problems: clean air and clear water. The exploration of these problems contrasts deftly our rural and urban environment. The film ends on a note of challenge - Can we solve these problems and survive?

The film can be used to develop the following ideas:

The city is a unique form of social organization.

Urbanization has dramatically changed our lives.

Urbanization has created serious problems which must be solved if we are to survive.

Method:

Before viewing the film. Ask the class to list ten items without which life in the city would be impossible. Then, discuss with the class why each item is important.

While viewing the film. Have the students answer the following questions:

1. Which items on your list can be found in the

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While viewing the film. Have the students answer the following questions:

1. Which items on your list can be found in the movie?

2. Why does the city seem so oppressive in the movie?

3. What problems does the film present?

4. How are the problems described created by man himself?

5. What solution, if any, does the film offer to the problems it presents?

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*Recommended for Students Achieving Below Grade Level.

Follow-up Activities

1. Develop with the class a check list of five important problems which exist in almost every American city. Then, ask students to survey their own neighborhood to see which of the problems listed exist in them.

**2. Have a panel of the students read Jane Jacobs' book, "The Death of Cities" and develop a simple 8 mm film to illustrate just one aspect of a problem mentioned in the book.

3. Take the class on a bus ride around the metropolitan area or a boat trip around Manhattan Island. Identify some of the urban problems mentioned in the movie.

Some Suggested Additional Sources:

City Planning Commission edition, The First Comprehensive Plan for New York City, New York, Dept. of City Planning of New York City, 1969.

Bollens and Schmandt, The Metropolis: Its People and Economic Life, New York, Harper & Row, 1965.

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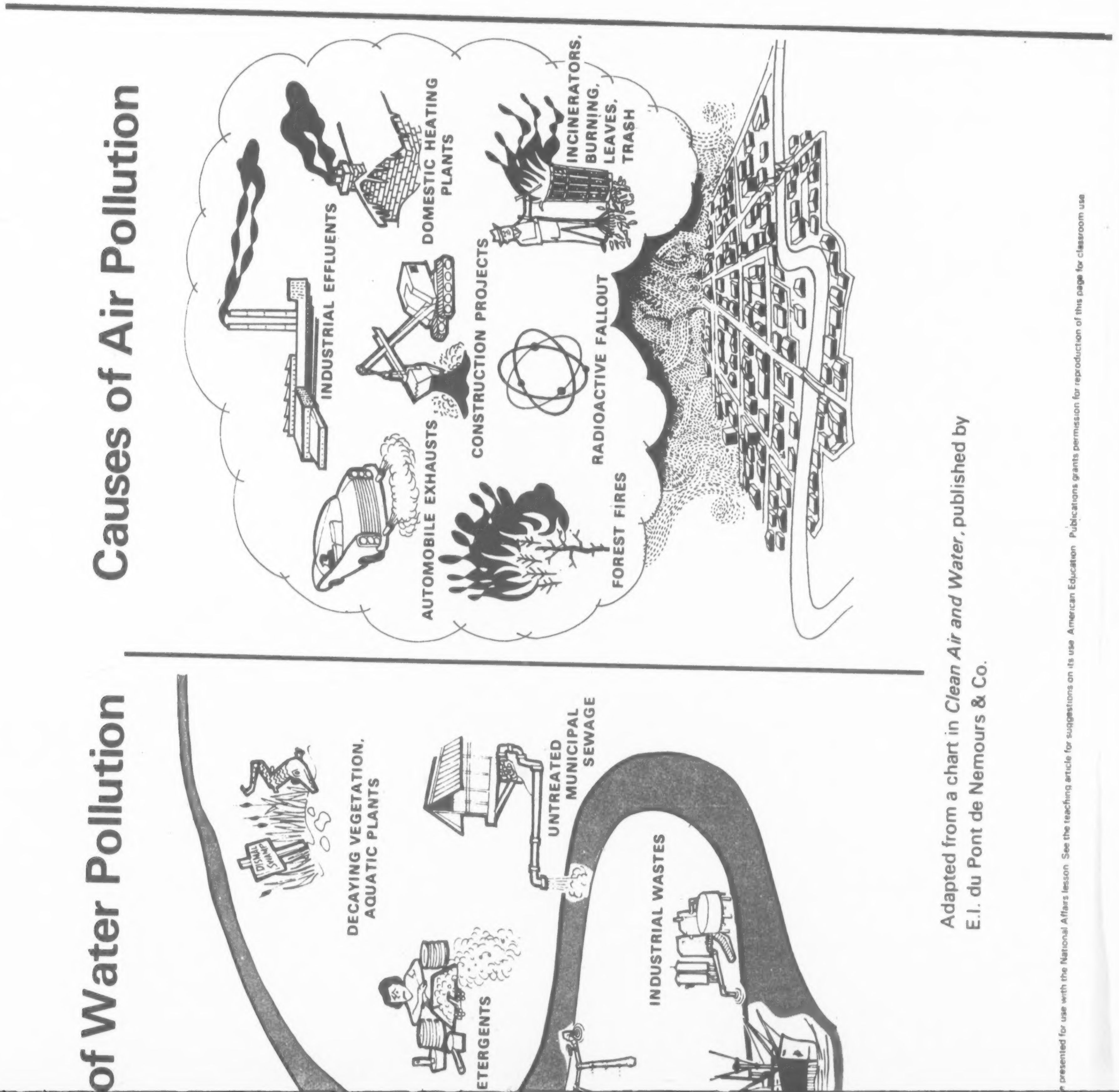
**Recommended for Students Achieving Above Grade Level.

*4. Students can interpret the following chart to summarize the causes of pollution.


Causes of Air Pollution
INDUSTRIAL EFFLUENTS
DOMESTIC HEATING PLANTS
AUTOMOBILE EXHAUSTS
CONSTRUCTION PROJECTS
INCINERATORS, BURNING, LEAVES, TRASH
RADIOACTIVE FALLOUT
FOREST FIRES
of Water Pollution
DECAYING VEGETATION, AQUATIC PLANTS
UNTREATED MUNICIPAL SEWAGE
INDUSTRIAL WASTES
ETERGENTS

Adapted from a chart in *Clean Air and Water*, published by E.I. du Pont de Nemours & Co.

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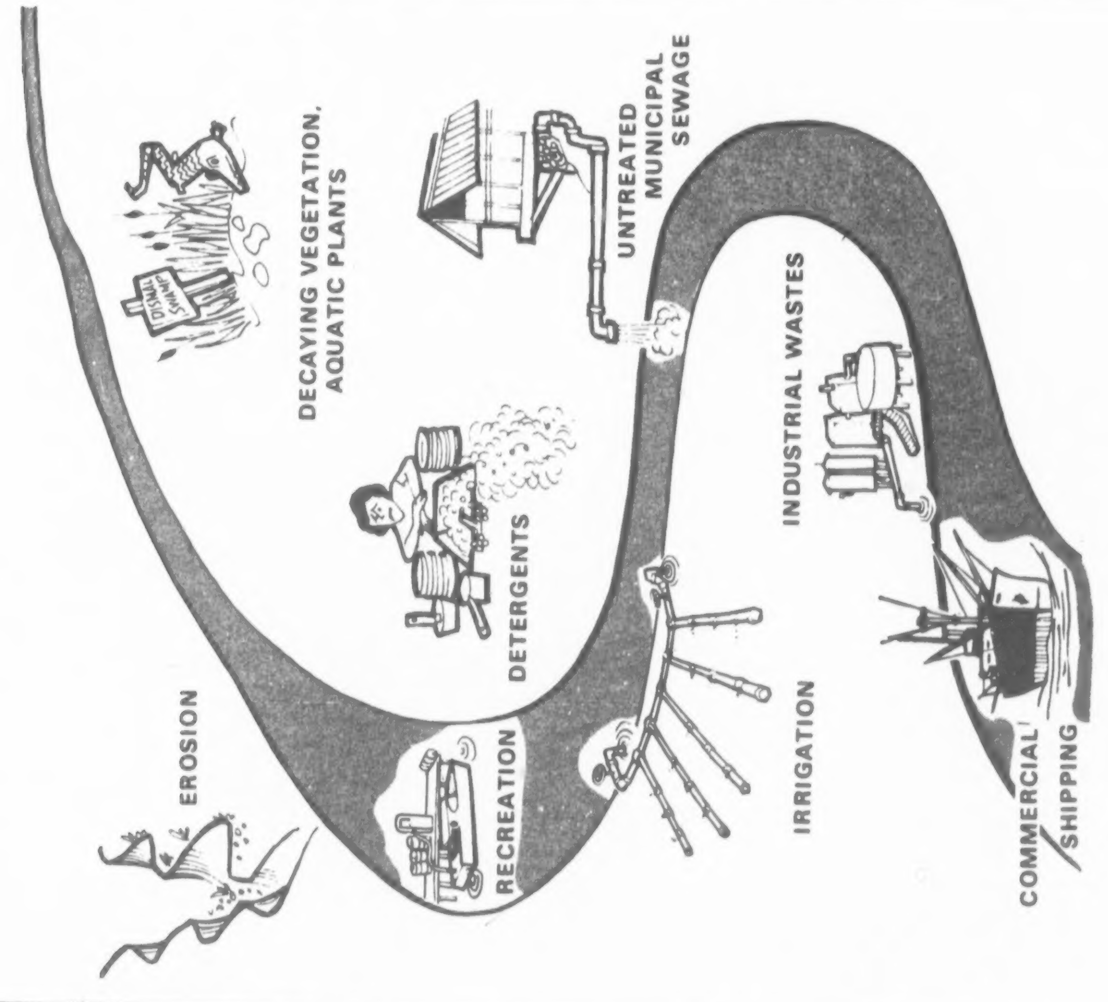
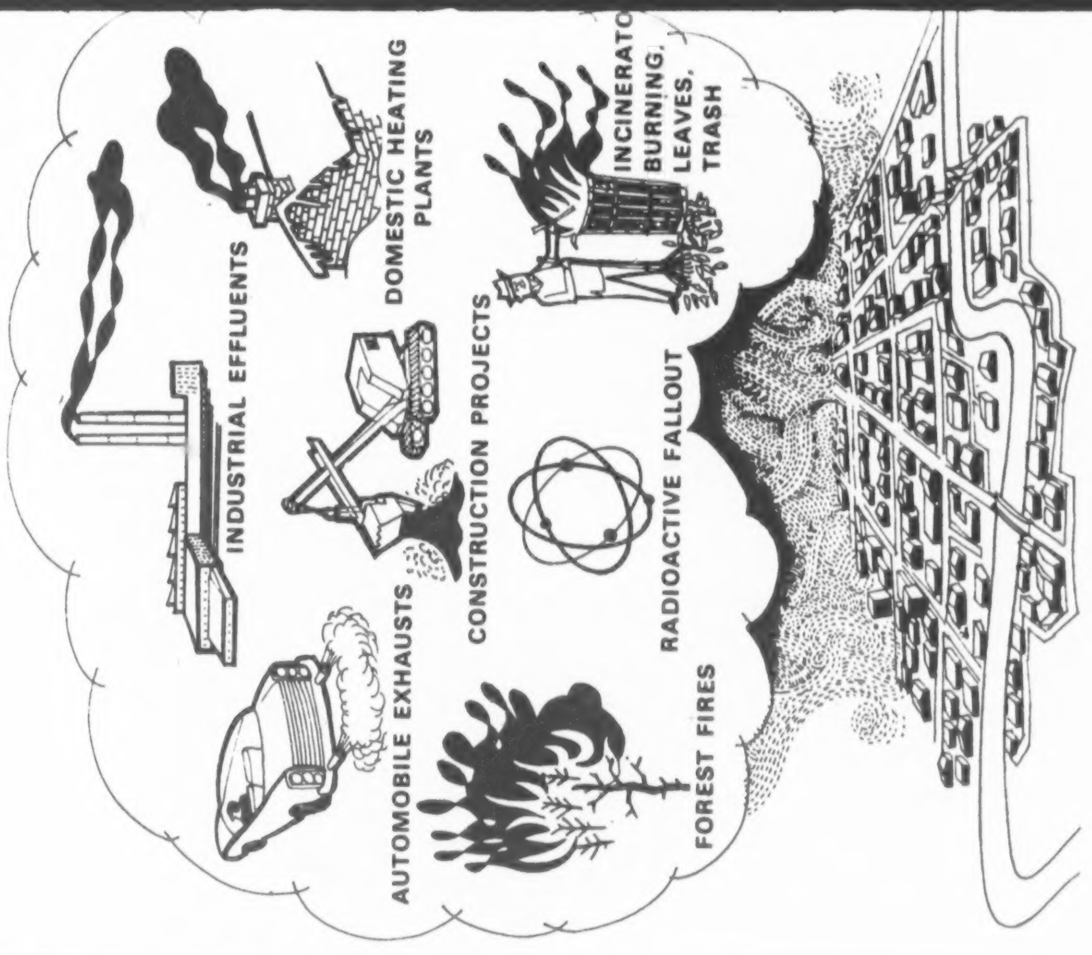


Causes of Water Pollution

EROSION
RECREATION
DETERGENTS
DECAYING VEGETATION, AQUATIC PLANTS
DISMAL SWAMP
UNTREATED MUNICIPAL SEWAGE
IRRIGATION
INDUSTRIAL WASTES
COMMERCIAL SHIPPING



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Questions for Inquiry and Discovery

1. Which of the causes of air pollution do you think is most difficult to correct? Why?

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*Recommended for Students Achieving Below Grade Level.

2. How can the average citizen help to fight air pollution? What role can government play?

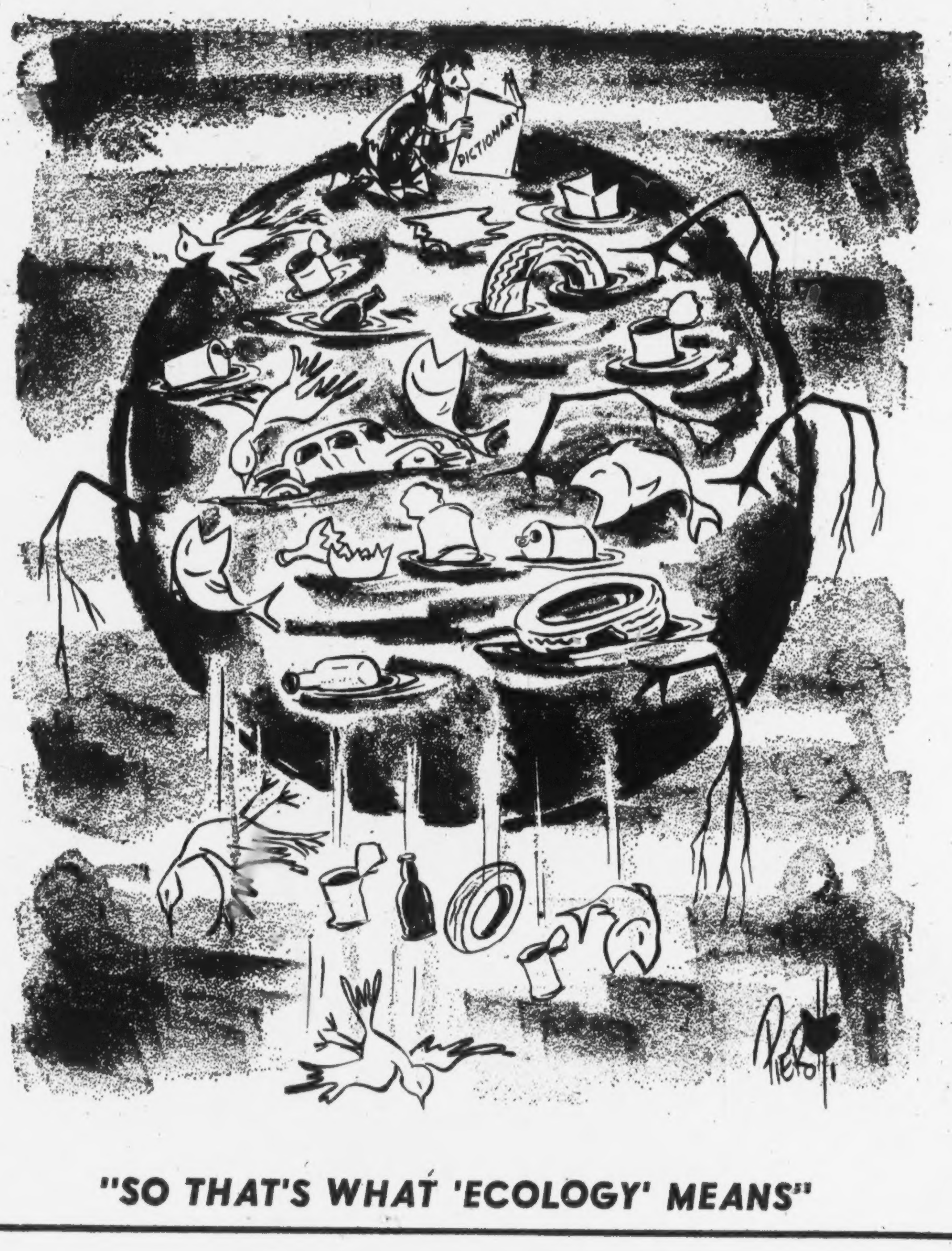
3. Who should be responsible for solving the problem of polluted water?

4. Should the fight against pollution be a voluntary effort? Should laws be passed?

5. Why is it expensive to try to control air and water pollution?

6. Should the government bear the cost of controlling pollution? Industry? The consumer?

*5. Cartoon interpretation.



"SO THAT'S WHAT 'ECOLOGY' MEANS"

(Source: New York Post)

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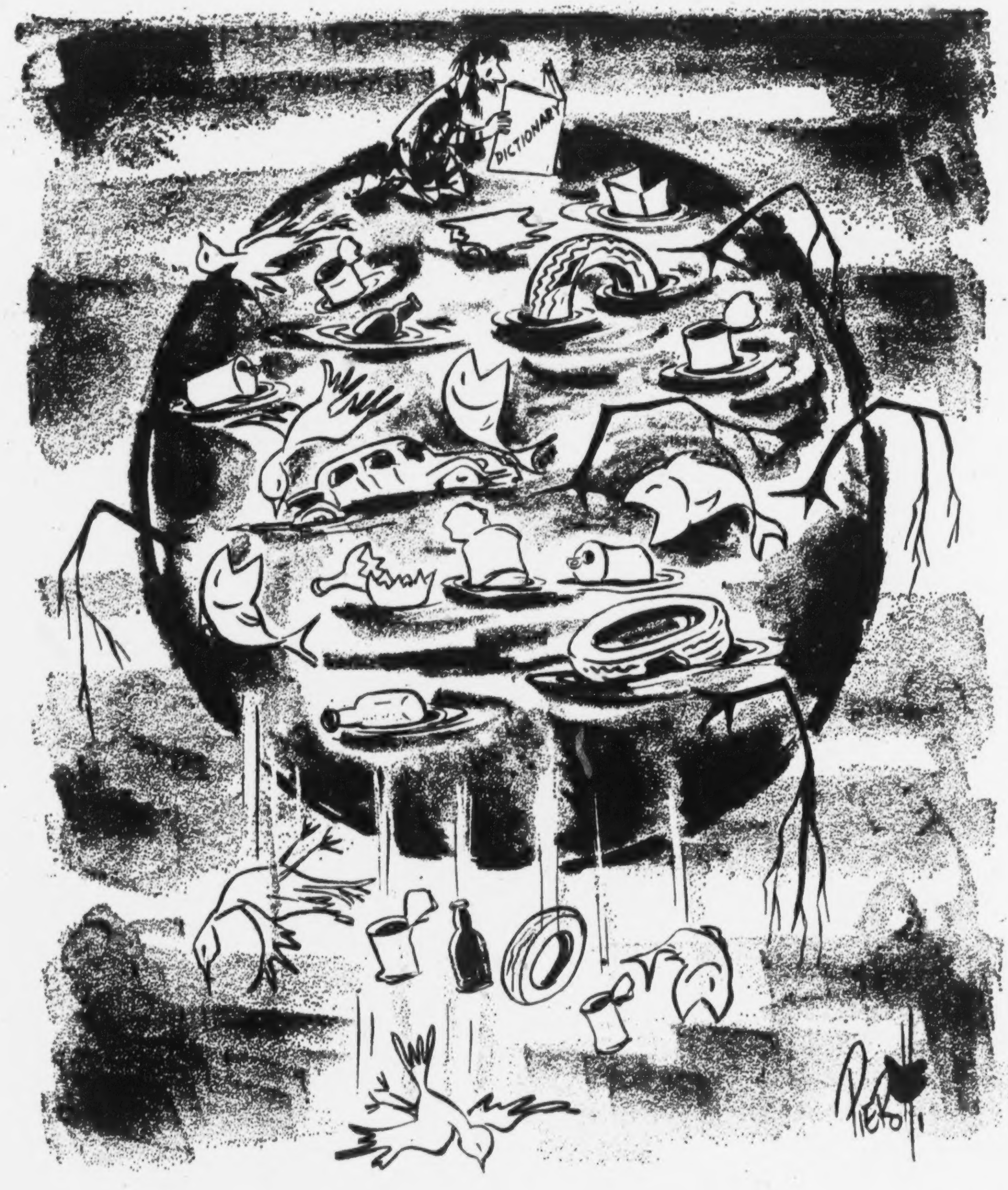

"SO THAT'S WHAT 'ECOLOGY' MEANS"

(Source: New York Post)

Questions for Inquiry and Discovery

1. Why are the trees drawn the way they are?

2. Why are birds and fish seen falling off the globe?

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*Recommended for Students Achieving Below Grade Level.

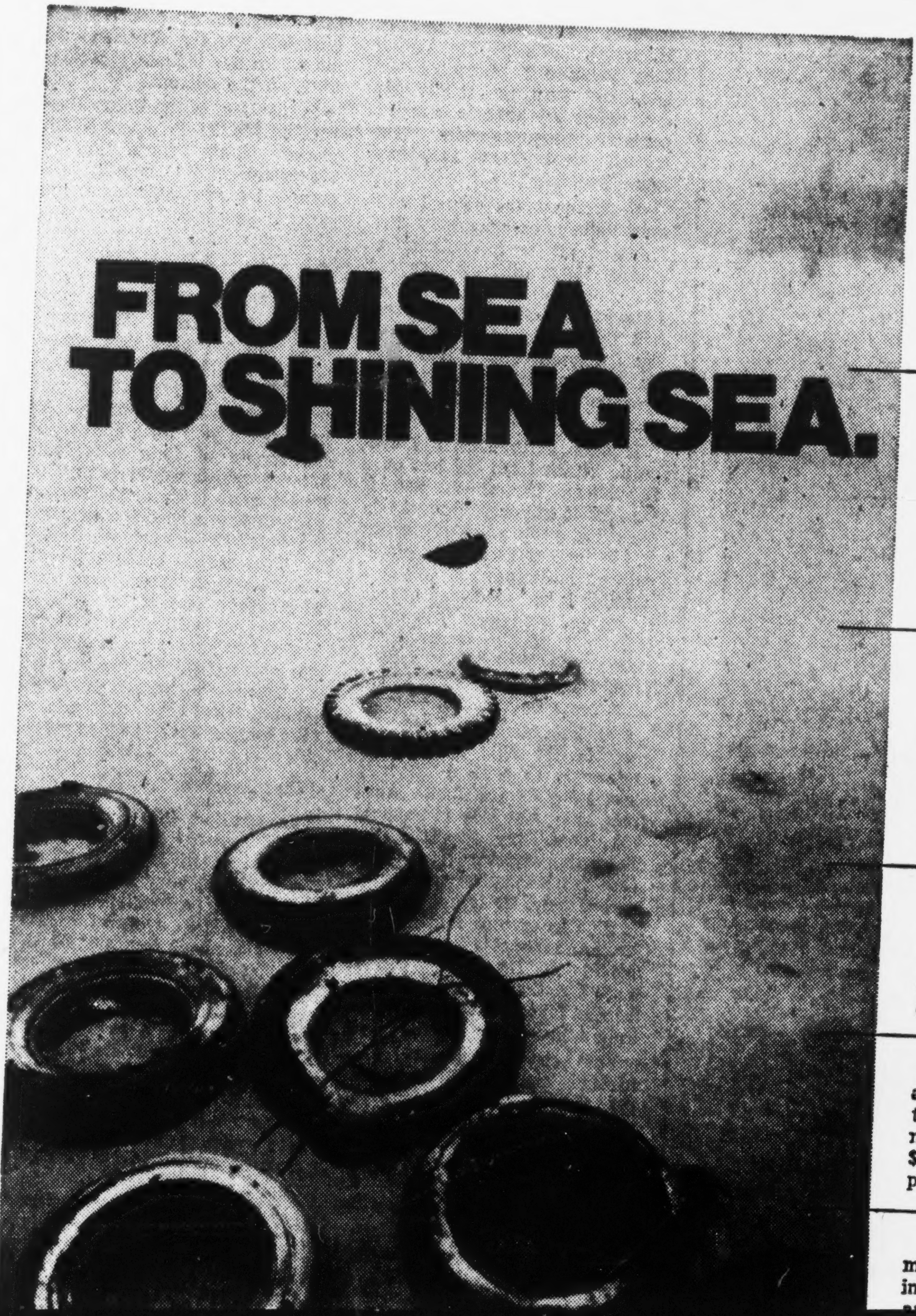
3. What are the causes of air and water pollution?

4. Why does the cartoonist present man with shabby clothes and a beard?

5. From this cartoon what do you think the word ecology means?

6. Why do you think man is becoming more concerned with ecology?

6. The following summary of the Nixon program on pollution can be used to stimulate a discussion on the economic costs involved in a "war on pollution."



Nixon: On Pollution

President Nixon's program for fighting pollution and improving the nation's environment calls for the following actions:

WATER: provide $4-billion in Federal funds in 1971 through 1974 to stimulate construction of sewage treatment plants by municipalities; create an environmental financing authority; establish uniform standards for water purity; establish court-imposed fines of up to $10,000 a day for municipal and industrial polluters of streams and lakes.

AIR: establish more stringent controls on cars to reduce exhaust fumes and increase research toward a virtually pollution-free automobile in five years; set new Federal standards for air pollution to equalize local minimum standards; sharpen penalties to up to $10,000 a day for failure to meet the pollution standards.

SOLID WASTES: provide incentives, such as bounties, to promote prompt scrapping of all junk automobiles; step up research to make products more easily disposable; encourage the re-use of materials, from bottles to paper.

PARKS AND RECREATION: review all Federally owned lands with an eye toward converting idle areas into municipal recreation facilities; provide $327-million in 1971 for additional parks.

ACTION: reorganize Federal Government agencies to eliminate overlap and increase efficiency; mobilize municipal

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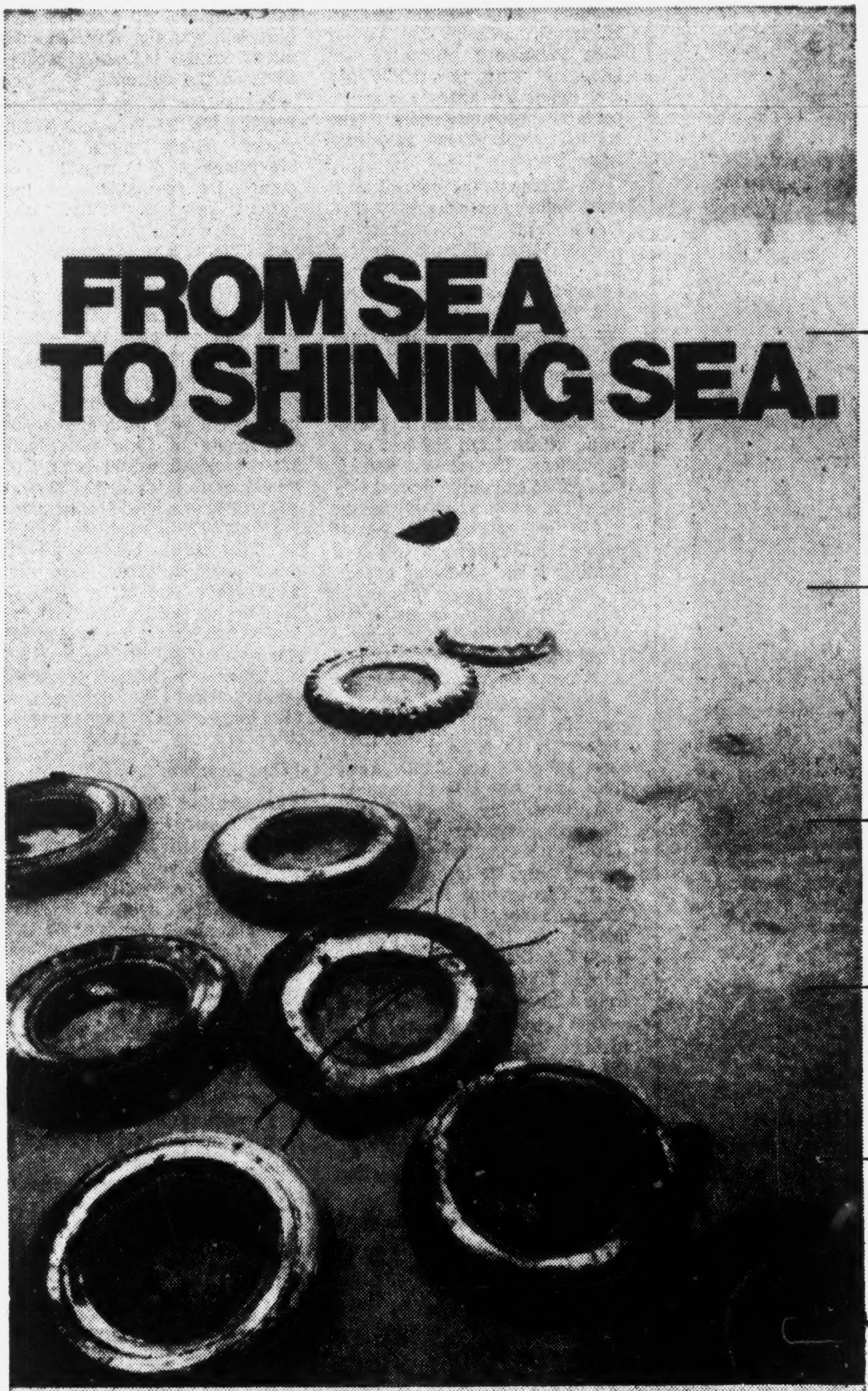

Who dumps old tires into our bays? Who picnics at our beaches and leaves litter for the tides to wash away? Who runs factories that pump refuse into our lakes? Who pours sewage into our rivers? Who throws all those beer cans overboard? Who's going to unpollute it all?

America, the beautiful. Our America. The crisis isn't in our cities; the crisis is in our hearts. With a change of heart, we can change the picture. AIA/American Institute of Architects

Send this page to your Congressman and ask him to support Federal efforts to control water pollution.

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ACTION: reorganize Federal Government agencies to eliminate overlap and increase efficiency; mobilize municipal and industrial groups for cooperation with the Council of Environmental Quality.

(Source: New York Times, 1970)

Questions for Discussion

1. How does the President propose to solve the water pollution problem? On whom will the bulk of the cost fall?

2. What effect can the President's anti-air pollution program have on the automobile industry? Oil industry? Who will pay the costs?

3. What obstacles do you foresee for the program as outlined?

4. What areas has the President omitted from his program against pollution? How would you attack them?

7. Items appearing in the newspaper can be used to raise the question of who shall bear the cost of cleaning up our environment. Examples of costs and questions to be raised are found below.

Pollution expenditures	Examples	Questions
New plant construction costs	A new $65 million paper mill to be built in Colorado has allocated $5.5 million for air and water pollution devices in its total construction costs.	Should all new plants be required to do this? What effect would this have on the growth of new business?
Private capital expenditures for pollution equipment	An automobile manufacturer estimates an investment of over $90 million in pollution equipment in 1970-72. A large steel company reports $64 million spent for water quality control in 2 mills.	Should competitors be required to invest in similar pollution devices? Will these costs affect the market price?
Government and private pollution research and engineering costs	A sampling of 15 chemical companies reveals spending of over $10 million on research as compared to less than $2 million by 14 paper plants in 1968. The federal government spent $251 million in 1968 on pollution research.	Should the nature of the industry determine research costs? Should the government spend more tax dollars on research?
Federal government spending for pollution control	In the past 12 years the federal government spent $5.4 billion to reduce water pollution and our rivers are as foul as they were before a dollar had been spent.	Would a tax system based on the amount and toxicity of water pollutants be more effective and efficient than a sprinkling of government projects?
	$1 million a year has been appropriated for operational costs of the newly created Council on Environmental Quality.	How would the operational costs of the Pentagon compare? (Is this an appropriate comparison?)

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Private capital expenditures for pollution equipment	An automobile manufacturer estimates an investment of over $90 million in pollution equipment in 1970-72. A large steel company reports $64 million spent for water quality control in 2 mills.	Should competitors be required to invest in similar pollution devices? Will these costs affect the market price?
Government and private pollution research and engineering costs	A sampling of 15 chemical companies reveals spending of over $10 million on research as compared to less than $2 million by 14 paper plants in 1968. The federal government spent $251 million in 1968 on pollution research.	Should the nature of the industry determine research costs? Should the government spend more tax dollars on research?
Federal government spending for pollution control	In the past 12 years the federal government spent $5.4 billion to reduce water pollution and our rivers are as foul as they were before a dollar had been spent.	Would a tax system based on the amount and toxicity of water pollutants be more effective and efficient than a sprinkling of government projects?
	$1 million a year has been appropriated for operational costs of the newly created Council on Environmental Quality.	How would the operational costs of the Pentagon compare? (Is this an appropriate comparison?)
Local government spending for pollution control	Los Angeles has an annual budget of $4.6 million for air pollution controls in an effort to clear its skies.	Which pollution costs should be carried by the federal government and which by local governments?
Federal grants-in-aid to states and cities	Congress appropriated $800 million for grants-in-aid for local waste-disposal works; requests from cities exceed $2 billion but the President only wishes to spend $214 million in this fiscal year.	Which should have priority in fiscal policy--budget cuts to curb inflation or government spending to curb inflation or government spending to curb pollution?

8. Industries such as automobile, oil, gas and plastics can be used as a case study of the relationship between production and pollution. Use the following discussion questions related to the automobile industry to develop an understanding of the economics of pollution.

    1. Should auto manufacturing pollution costs be paid by society collectively through higher taxes or should producers pass pollution costs on to car buyers with higher prices?

    2. Should the price of gasoline include a tax to make the purchaser of gasoline pay part of the cost of air pollution?

    3. Should there be a "junking" tax at the time of purchase of a car to cover the eventual cost of waste disposal of the auto?

    4. If producers and consumers were required to pay pollution costs of automobiles, how would this affect the automobile industry?

    5. If pollution costs increased auto prices, how would this affect the price level?

    The following discussion questions can be used as a guide to deal with the problems posed by pollution.

    1. How can production methods be changed to prevent pollution?

    2. How can consumption be changed to help control pollution?

    3. How can the re-use of wastes increase productivity?

    4. Will tax incentives be sufficient for private enterprise to alter production methods for pollution abatement and controls?

    5. What new industries and new job opportunities will result from pollution controls?

    6. What level of government can best execute pollution controls - city, state, national or all?

    7. What kind of government aid should be given to industry to research and operate pollution controls - Loans? Grants?

    8. What responsibilities does pollution impose on the individual citizen?

    9. How may educational institutions participate in the pollution crisis?

Some Suggested Additional Material

Dale, Edwin L. Jr. "The Economics of Pollution", New York Times Magazine, April 20, 1970, p. 27.

"Fighting to Save the Earth from Man", Time, February 2, 1970, p. 56.

Fortune Magazine, February 1970.

"Pollution Crackdown Hits Industry", U.S. News and World Report, April 16, 1970, p. 23.

**9. Students can demonstrate how pollutants affect our society. The aid of the science department of the school can be sought to set up the demonstrations showing the affects of the most common pollutants is shown in the chart below.

AIR POLLUTION:

WHERE DOES IT COME FROM? WHAT DOES IT DO?

Air Pollutant	Percent of Total* Pollutants Produced Per Year	Where It Comes From	What It Does to Humans
carbon monoxide	52%	buses, trucks, cars, etc.	Produces headaches, dizziness. Slows reaction time (at heavy traffic levels).
sulfur oxides and nitrogen oxides	18% 6%	industry, incinerators, waste-burning, power plants	Irritate eyes, nose, throat. Produce brown haze that shuts out sunlight, endangers airplane take-offs and landings. Where levels of these oxides are high, levels of lung and throat diseases are high.
hydrocarbons	12%	buses, trucks, cars, etc.	In cigarette smoke, may cause cancer.
particulates	10%	smoke, dust and soot particles in the air	Over the years, some particulates have a slow poisoning effect.
photochemical smog	included among other	oxides produced when sunlight acts on	Makes eyes and throats sting. Makes breathing hard, especially for people who have bronchitis and other lung and throat

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* An estimated 125 to 300 million tons of air pollutants are produced in the U.S.A. yearly. (The 2% not included above are miscellaneous gases.)

Sources: National Academy of Sciences, "Waste Management and Control"; Needed: Clean Air, Channing L. Bete Company

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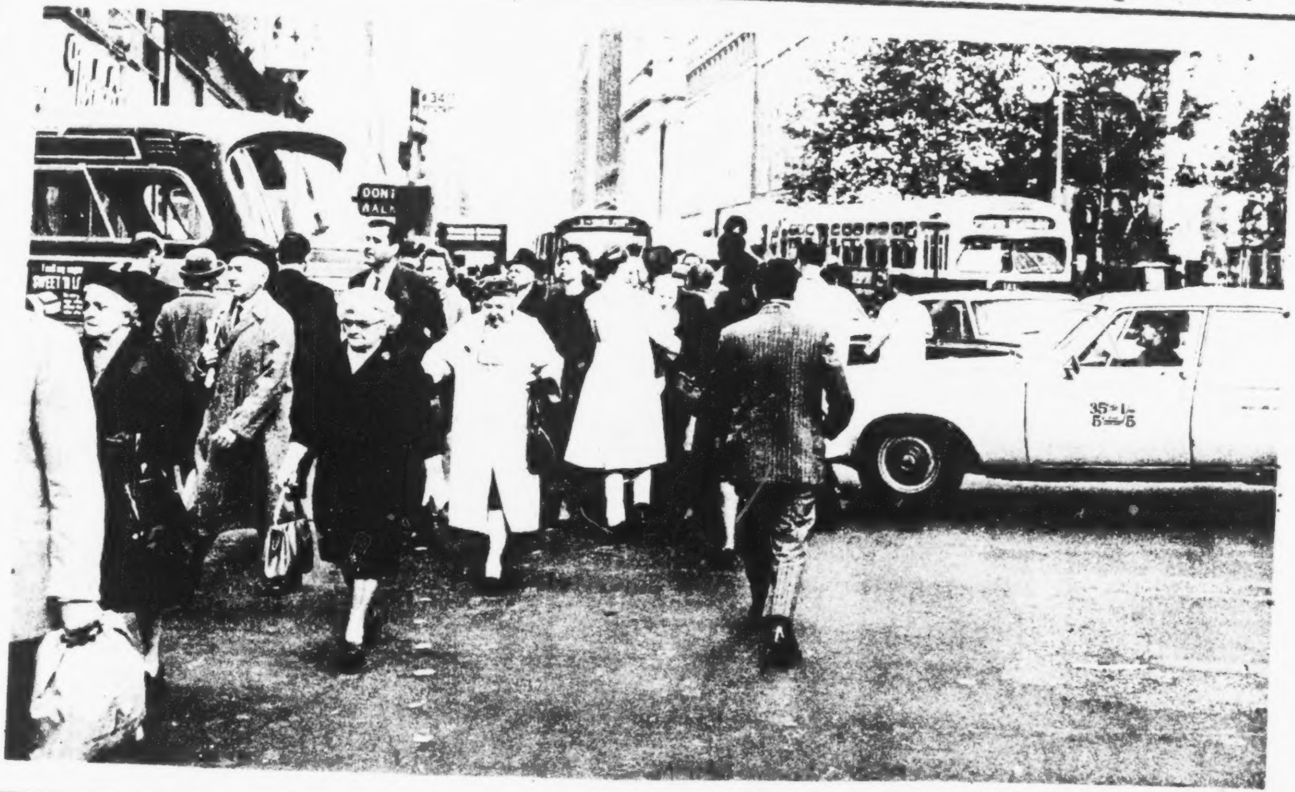
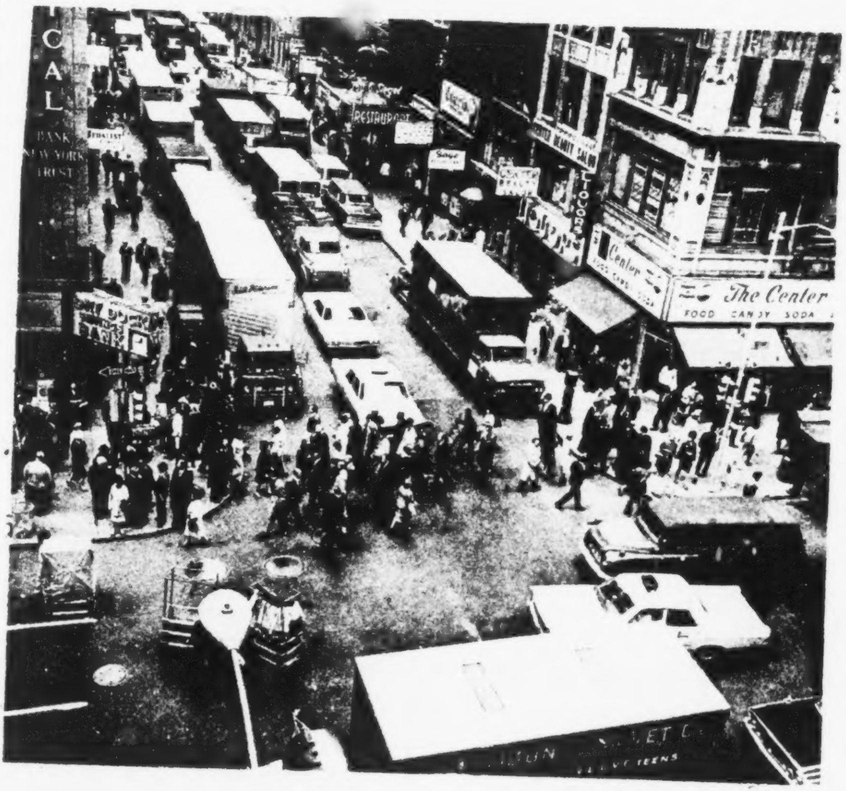
**Recommended for Students Achieving Above Grade Level.

D. Using pictures to learn about New York City's traffic problem.




RESTAURANT
BANK
NEW YORK
TRUST
The Center
FOOD CANDY SODA

OFF-PEAK TRAFFIC—A MIDTOWN MYTH Throughout the working day, Midtown Manhattan is saturated with vehicular and pedestrian traffic. Typical mid-day scenes point up existing problems that would be seriously aggravated by inviting any more vehicles into Midtown during the so-called "off-peak" period between the rush-hours.

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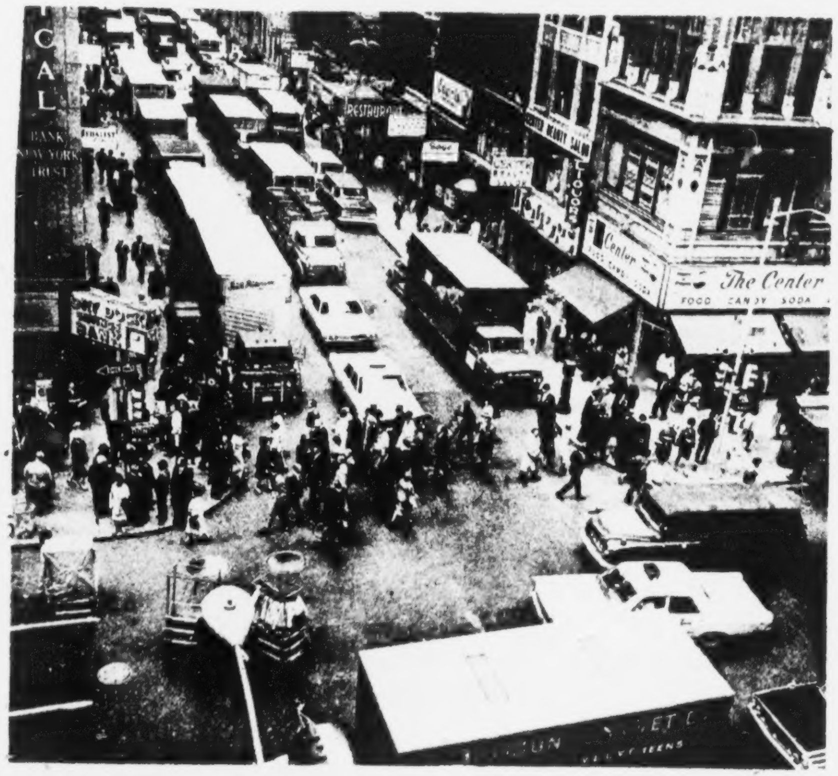

RESTAURANT
The Center
FOOD CANDY SODA

Questions for Inquiry and Discovery

1. What factors contributing to our traffic problem are evident from these pictures?

2. Should trucks be allowed in the center of Manhattan? What problems do they present? How can we overcome these problems?

3. How do each of the following contribute to the problem?

    buses
    taxicabs
    passenger cars

4. How does construction create a traffic problem?

5. What are the costs of slow moving traffic in New York City?

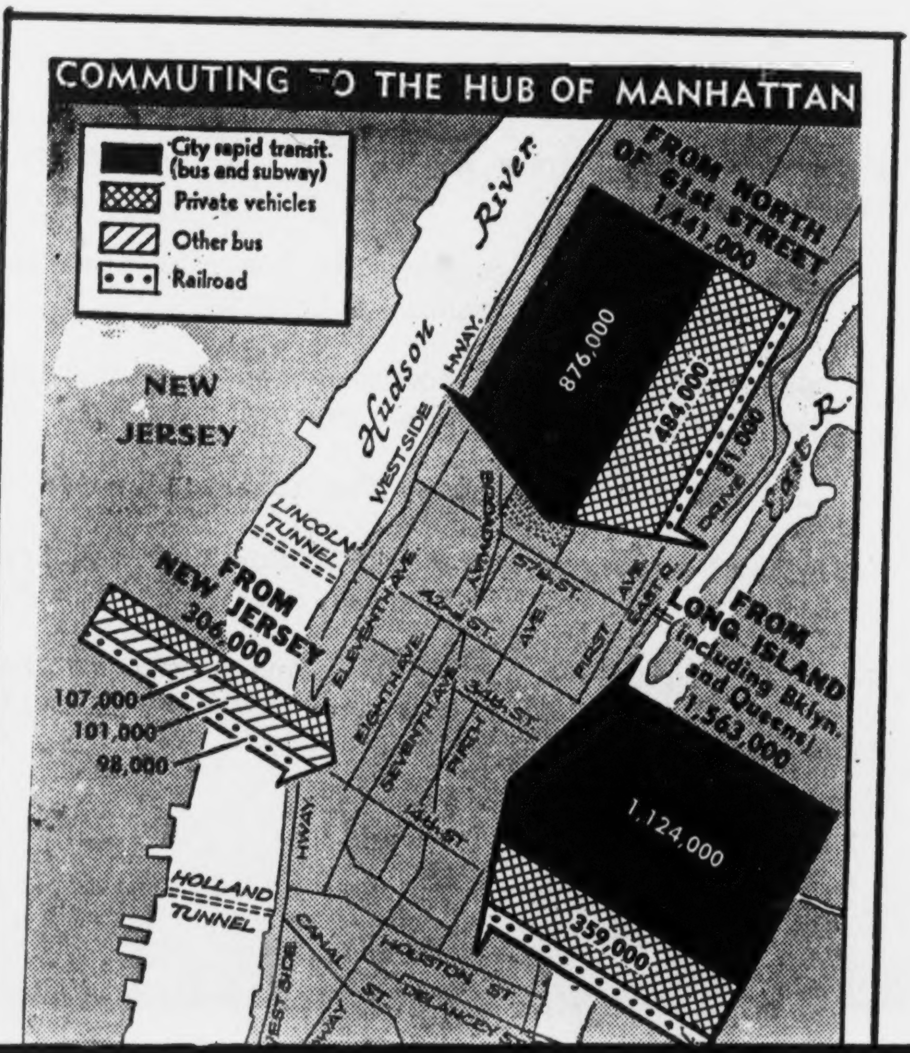
Questions for Discussion

1. Should passenger cars be banned from mid-Manhattan during the rush-hours?

2. Should truck deliveries to mid-town Manhattan be established on a staggered hour basis?

3. How might staggered working hours affect the traffic problem? The city economy?

E. Using and analyzing a map to learn about the factors contributing to Manhattan's traffic problem.


COMMUTING TO THE HUB OF MANHATTAN
City rapid transit. (bus and subway)
Private vehicles
Other bus
Railroad
NEW JERSEY
Hudson River
WESTSIDE HWAY.
FROM NORTH OF 61st STREET 1,441,000
876,000
484,000
81,000
DRIVE
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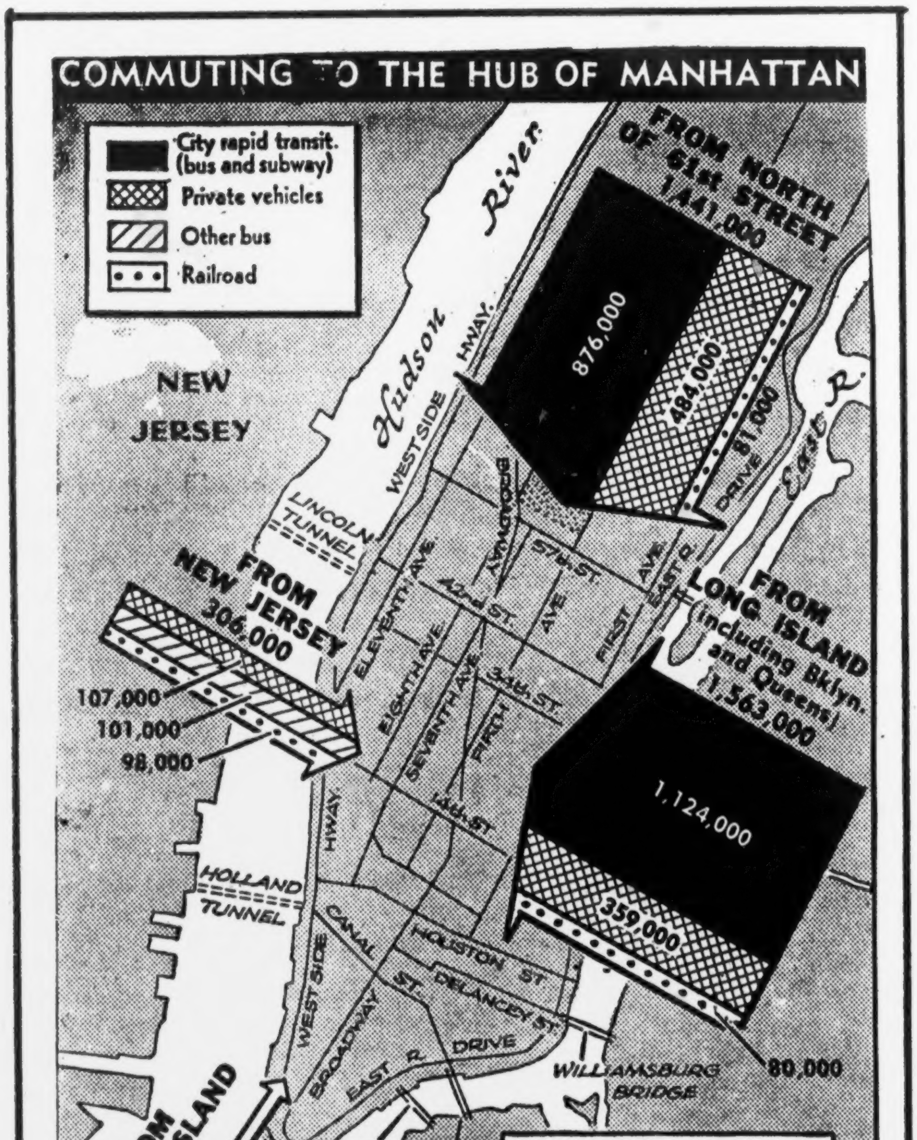
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WILLIAMSBURG BRIDGE
FROM STATEN ISLAND 39,000
B'KLYN BRIDGE
MANHATTAN BRIDGE
FERRY
B'KLYN-BATTERY TUNNEL
Upper N.Y. Bay
DAILY TRAFFIC FLOW
New York City rapid transit system
59.6%
Other
40.4%

(From New York Times)

Questions for Inquiry and Discovery

1. What are the major means of entry into Manhattan for commuters?
2. How are commuters part of the city's transportation problem?
3. Why is New York's problem really a regional problem?

Questions for Discussion

1. How might regional planning be the best way to resolve New York's transportation problem?
2. Should future priorities in transportation be in the area of mass transportation, improved subways or more highways? Why?
3. How does immobility create a problem for the poor?

Follow-up Activities

1. Students can study the proposals of the Regional Planning Association for improved city transportation. The advantages and costs can be studies and alternatives suggested. Students can construct maps that include their integrated approach to transportation.

2. The plan approved by the Board of Estimate for an airport rail link can be studied.

   What problems will be created?

   What problems will be solved?

   What are the alternatives?

3. A New York City subway map can be the focus of a study of our subway system.

   What factors are responsible for the financial problems of the Metropolitan Transit Authority?

   What effect has the coordination of transportation had on service? On cost? What improvements need be made?

   How has the MTA planned for future adequate service?

4. Individual research on new ideas for improved transportation can be encouraged, i.e., helicopter service, monorail, hovercraft.

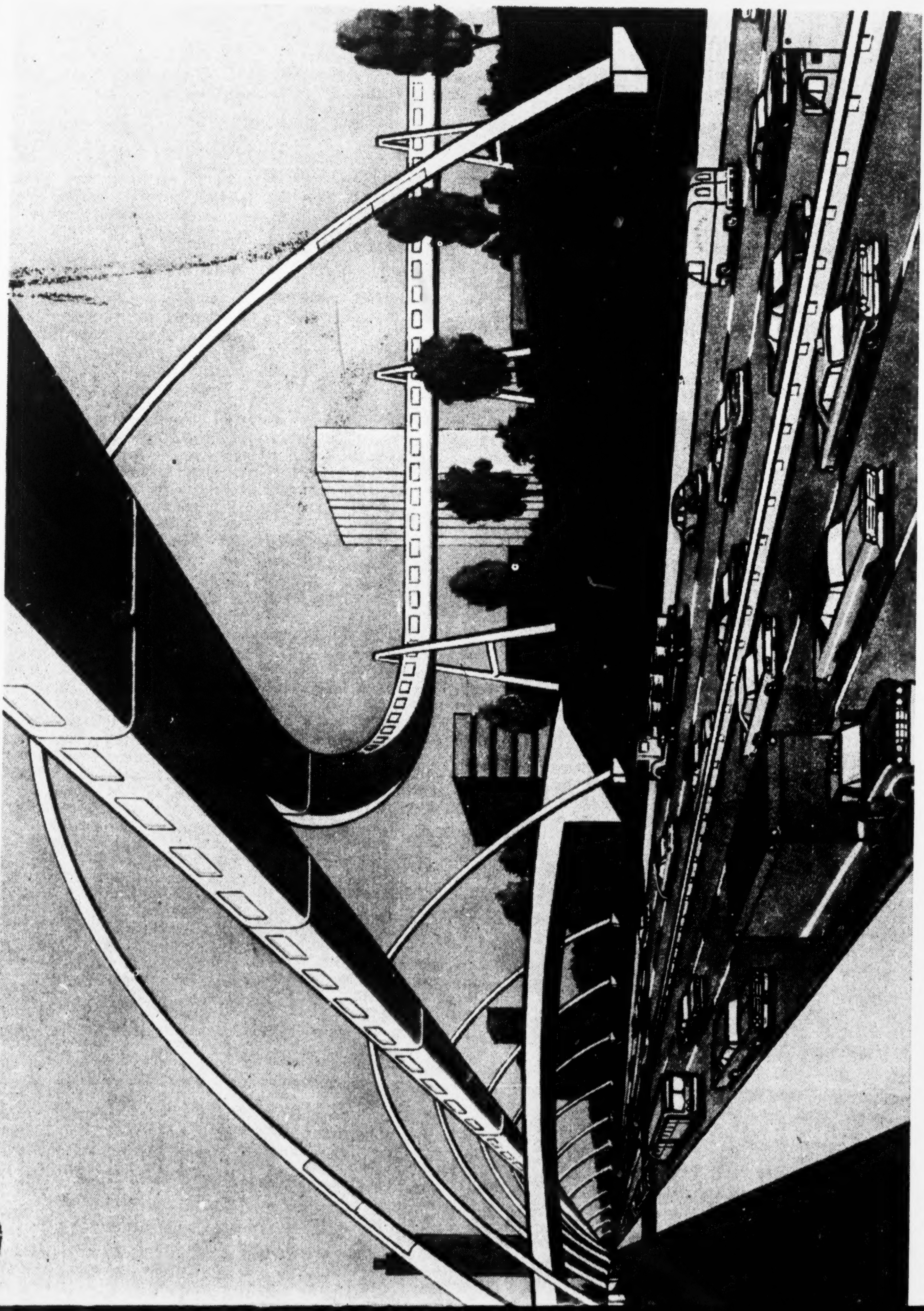
5. Students can take a survey of where people in the ghetto work. This can be compared to subway and bus route maps to determine if jobs are easily accessible.

   a. What changes are necessary?

   b. How does the current set-up affect the employability of minority groups?

   c. What effect will the 30¢ fare have on people living in a one-fare zone? Two-fare zone?

6. Use the following drawing to develop the major concepts related to city transportation.



TELETRANS CORP.

F THE FUTURE will use ingenious types of transportation. Tube shown above contains cars that automatically go to correct destination.

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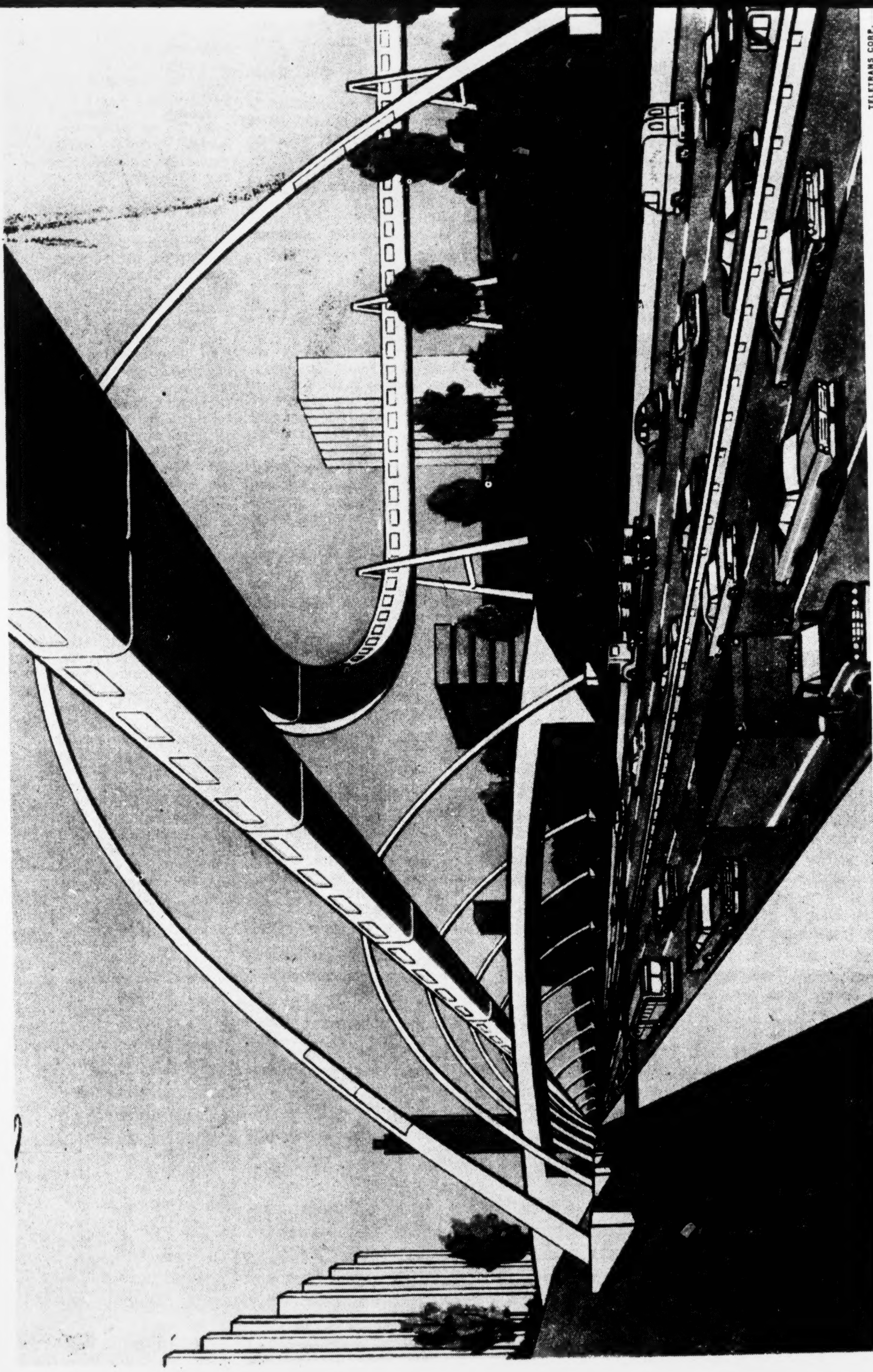

TELETRANS CORP.

COMMUTERS OF THE FUTURE will use ingenious types of transportation. Tube shown above contains cars that automatically go to correct destination.

How is this plan for traffic movement an improvement over what we have now?

What problems do you see arising from this plan?

7. The role of New York City in world trade, economic growth and regional development can be developed by studying the role of the New York Port Authority. To facilitate this in-depth study the Authority has a Teachers Kit available, The Port of New York - Crossroads of World Trade, Port of New York Authority, 111 Eighth Avenue, New York, N.Y. 10011.

F. Using a newspaper to learn about New York City's financial problems.

The Changing City: A Financial Paradox

The following report was prepared by Richard Phalon and Michael Stern.

New York, says Budget Director Frederick O'R. Hayes, is a "city of two faces, a combination of affluence and municipal poverty."

On its affluent side, the city has never had it so good. The glass and steel of more than $1.5-billion worth of new office construction is being bolted into place; retail sales are pounding along at the rate of more than $12.7-billion a year; Wall Street is all capital gains; more than 70,000 jobs have been added to the work force in the last year alone; unemployment is at an all-time low.

Yet there is evidence of municipal poverty in the explosive growth of the welfare rolls—chilling evidence because their growth reflects society's failure to nurse more than a million blighted lives into the mainstream of its economy; chilling because their growth has compounded the city's chronic budget problems and forced it to reallocate money that might otherwise have gone into cleaner streets, cleaner air, better schools and better hospitals.

The streets will continue to be littered and the air contaminated despite the fact that the city's operating budget will reach $6.6-billion next year—more money than is spent by either the state of California or the state of New York; more money than any Federal budget before Franklin D. Roosevelt's first term.

"Municipal poverty" and a $6.6-billion budget? How can the two be squared?

"In the paradox of this city's wealth and its municipal finances, nothing is mutually exclusive," Mr. Hayes says "We're going broke on

¶The ambitious spectrum of services the city provides—a tuition-free university and a hospital system, for instance—that elsewhere are either paid for entirely by state government or privately run.

¶A "balance of payments" problem that is widening because of the growing number of high-salary commuters who make their money here but pay most of their taxes in the suburbs.

¶The $16.2-billion worth of property here—36 per cent of total valuations—that is exempt from the real-estate tax because it serves religious, educational, charitable or government purposes.

¶A comparatively inelastic tax structure that leaves the city vulnerable to inflation and a complicated tangle of relationships with the state and Federal governments that makes it difficult for the city to retain a larger share of the enormous wealth it generates.

Taxes Up, Service Down

What all this means for, say, the average householder in Queens is that he must pay higher taxes, but must wait longer to have the pothole in his street repaired, continue to suffer a street-cleaning operation that one city official concedes to be "worse than five years ago," have his children attend improperly maintained schools and see the parks in his neighborhood continue to deteriorate.

The city bears roughly only 30 per cent of all welfare payments (the Federal and state governments absorb the rest), but its tax revenues simply have not grown fast enough to meet the needs of the poor and at the same time keep pace with its other, more traditional services.

The pressures have forced a significant shift in the city's spending mix.

A comparison of the average shares going to vital services in the period of 1963 through fiscal 1966 and in fiscal 1967 through next year's projection shows the following: public schools dropped from 26 per cent of the budget to 21.91; police work from 9.53 per cent to

Who Pays the Bill?

City budgets are of necessity a blend of economics and politics. Mayors must take into account the fact that much of the city's money comes from the State Legislature.

Albany did provide more money — state aid will amount to 24.9 per cent of next year's budget compared with 24.7 per cent this year—but unlike the emergency infusions of the past, not enough more money to compensate for the increased cost of running the city.

The structure of the city's revenue base has proved unequal to the task. Though New Yorkers are among the most highly taxed people in the nation, the major levies on which the city has traditionally relied (sales and real estate taxes) are comparatively inelastic. They tend to expand no faster than the economy as a whole.

The city income tax, wrung out of the Legislature in 1966, offers more growth potential, but it is no panacea.

Since 1963 the city's needs—as expressed by the budget — have increased 136.5 per cent. Real estate tax yields, however, have risen only 72.7 per cent and the proceeds from all other levies (sales taxes, corporation taxes and the like) have risen only 118 per cent.

The way those yields have lagged helps to explain why New York runs a chronic budget gap — why projected spending always exceeds what the city can expect to take in.

The influx of the poor and the compounded miseries of slum life has meant higher costs not only for welfare, but also for health services, remedial education, and expanded fire and police protection.

Further, the poorer people do not pay as much in taxes as the high-income people they replaced. Many of the expatriates take a high share of the new white-collar jobs being produced by the city's expanding economy but the bulk of their local tax bill goes to support government in New Jersey, Long Island

The States' Viewpoint

As a "creature of the state," the city gets its taxing powers only from the Legislature. And as a panel of experts noted in a recent issue of Nation's Cities, a publication for municipal planners, the states "have seen fit to limit the cities' taxing powers, partly because the states do not want the cities dipping deep into the same tax sources the states depend on for their own support; partly because some state legislators still do not trust their cities, and partly because state legislators do not always understand their cities' problems."

Even if the city had unlimited taxing power of its own, it could not use it freely. High taxes are one of the reasons why a number of manufacturers have left the city, taking with them in the last 19 years almost 200,000 blue collar jobs—jobs that might have helped to take some of the pressure off the welfare rolls.

'Decay in Quality'

High taxes are also one of the reasons why so many comparatively high - salaried former New Yorkers now call the suburbs home—an economic exodus the city cannot afford to accelerate.

Yet if the city cannot tap new revenue sources it faces what Mr. Hayes calls a "decay in the quality of urban life."

"If we're going to maintain the kind of life we want to have," he says, "it is going to take a lot of money."

Where is the money to come from? Washington, the way the city sees things. It calls for the Federal Government to take over all welfare costs and an extended system of revenue sharing in which Washington would automatically make sizable outright grants to the cities every year.

The premise is pegged to the enormous elasticity of the Federal income tax, which, because of its progressive rate structure, yields a 15 per cent increase in revenues for every 10 per cent increase in the total output of the nation's goods and services.

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"In the paradox of this city's wealth and its municipal finances, nothing is mutually exclusive," Mr. Hayes says "We're going broke on $6.6-billion a year."

Moreover, to a large extent the city is molded by a myriad of forces beyond its control—the birth rate, the uncertainties of the Vietnam war, technological developments that simultaneously improve and retard the urban environment, and even out-of-state elections that send to Congress men unattuned to or unsympathetic with the urban crisis.

Added to this is a welfare and antipoverty effort that has proliferated from 10.8 per cent of the budget in 1963 to 26.6 per cent now and the following factors:

¶The growing union militancy of the city's 354,600 employes who have come away from the bargaining table with sizable gains and pushed labor costs to 60 per cent of the budget.

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The city has always had a difficult time making municipal ends meet. From 1962 to 1966, for example, it ran deficits that ranged from $45-million to $300-million, deficits that were covered by dipping into reserves, by borrowing against future budgets and by the sale of long-term notes that are still being paid off at the rate of more than $50-million a year.

Not since the days of the Depression, however, has the treasury's plight been so apparent as in the budget for the next fiscal year, which the Mayor presented to the Board of Estimate and the City Council last April 15.

The way the Mayor saw things, the budget—though $597-million more than the $6-billion the city expects to spend this year—fell $668-million short of what it would take just to hold municipal services at the current level, let alone improve them.

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Further, the poorer people do not pay as much in taxes as the high-income people they replaced. Many of the expatriates take a high share of the new white-collar jobs being produced by the city's expanding economy but the bulk of their local tax bill goes to support government in New Jersey, Long Island and Westchester instead of New York City. the city is not likely to get any more major taxing power out of the Legislature.

It would like very much, for instance, to have the income levy on commuters raised to a par with the income tax on city residents. The possibility of Albany's going along with such a move is considered remote because the commuters are represented by a powerful bloc in the Legislature.

Similar opposition from suburban and upstate legislators has blocked city proposals for a higher liquor tax, for off-track betting and for basing a part of state aid to cities on the amount of money the cities raise themselves.

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The premise is pegged to the enormous elasticity of the Federal income tax, which, because of its progressive rate structure, yields a 15 per cent increase in revenues for every 10 per cent increase in the total output of the nation's goods and services.

Federal spending, on the other hand—heavy military demands such as Vietnam aside—tends to rise at a slower rate than national output. The result, many economists argue, is a "fiscal dividend" that could mean salvation for the cities.

(From *New York Times*, 1969)

Questions for Inquiry and Discovery

1. What factors have led to an increase in New York City's budget?

2. How has the city tried to raise the revenue to meet the budget demands? What are the shortcomings of our tax structure?

3. How has the city rearranged its budgetary priorities? Why was this done? What effect has it had?

4. How has New York State helped the city with its financial difficulties? How has it hindered the solution of these problems?

Questions for Discussion

1. Why would increased taxing power for New York City create a dilemma for the city government? What problems could be solved? What new problems might be created?

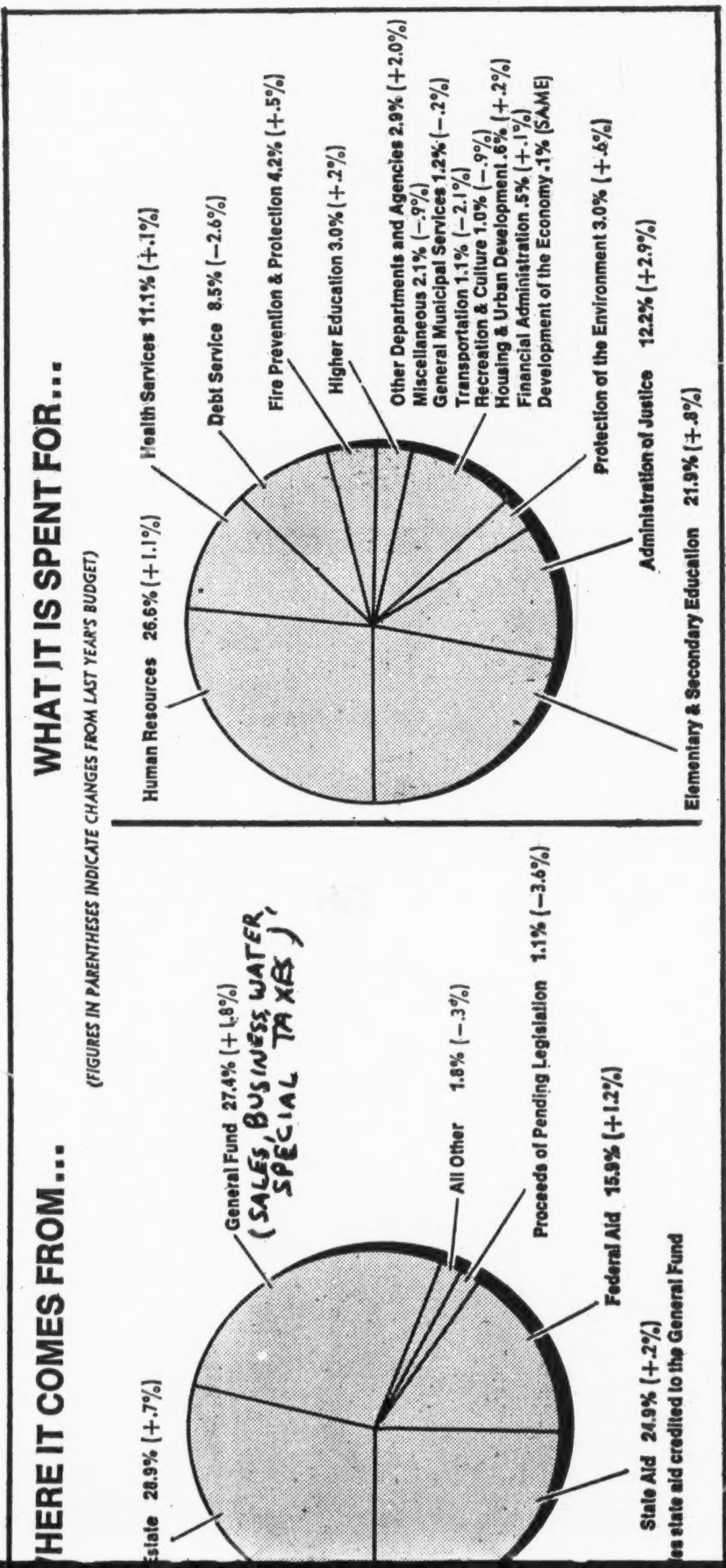
2. Should central city financing be developed on a regional basis?

3. Why do some people feel that revenues needed to solve New York City's problems must come from outside the city? Do you agree? Why?

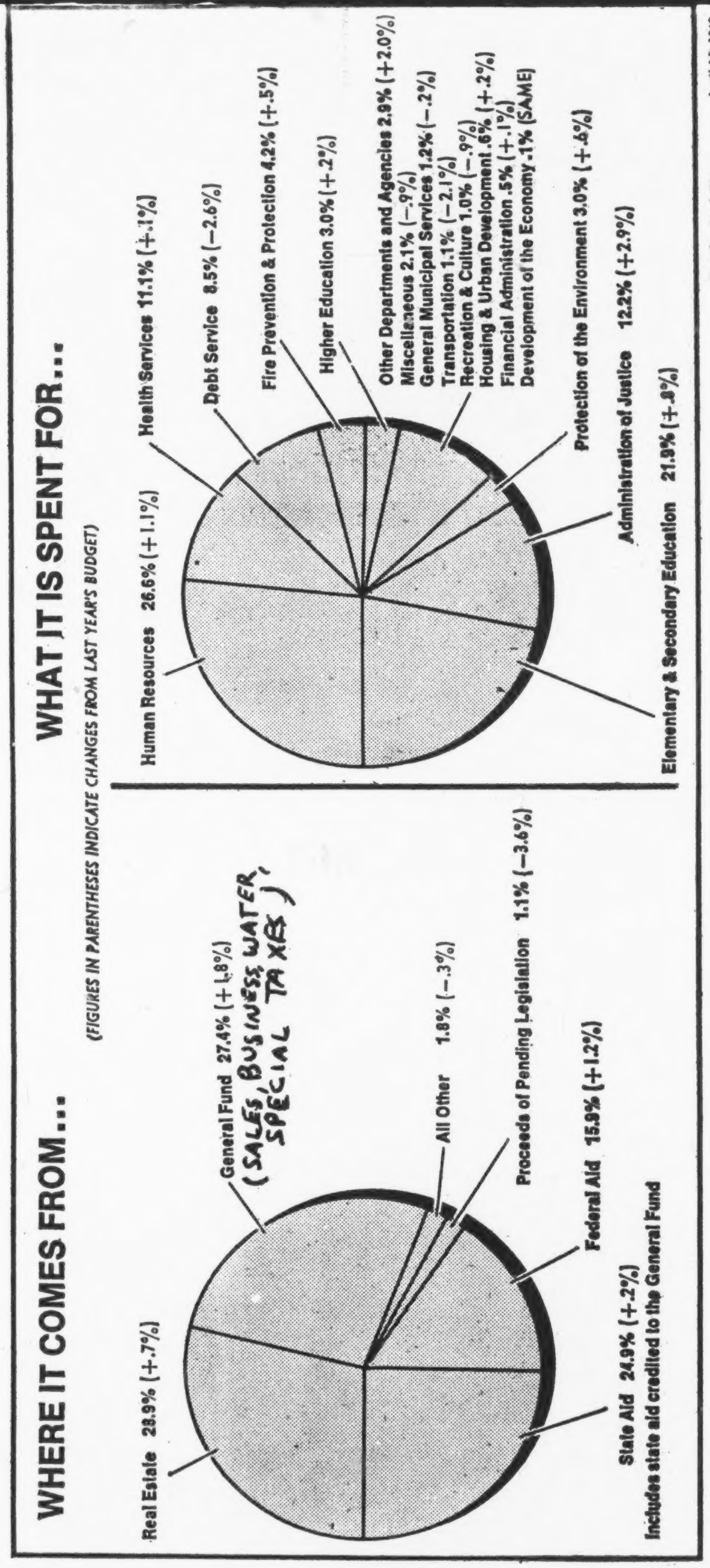
4. How should social overhead capital costs be financed?

Follow-up Activities

1. Students can study the chart below and answer the questions that follow:



The New York Times April 16, 1969



WHERE IT COMES FROM...

WHAT IT IS SPENT FOR...

(FIGURES IN PARENTHESES INDICATE CHANGES FROM LAST YEAR'S BUDGET)

The New York Times April 16, 1969

a. What are the major sources of income of the City of New York?

b. What are the drawbacks to using the property tax as a major source of city revenue?

c. Why is New York's problem complicated by state and federal taxation?

d. What are the major expenditures of the city?

e. How does the graph show priorities and the rearrangement of priorities?

f. How would you rearrange priorities for next year?

2. Several suggestions have been made to increase city revenues. Some of these are:

   Raising the city income tax

   Raising commuter taxes

   Off-track betting

   Taxing the income producing property of religious, charitable and educational organizations

   More state aid

   Federal tax sharing with cities and states

   a. Which of these proposals do you favor? Why?

   b. Which do you oppose? Why?

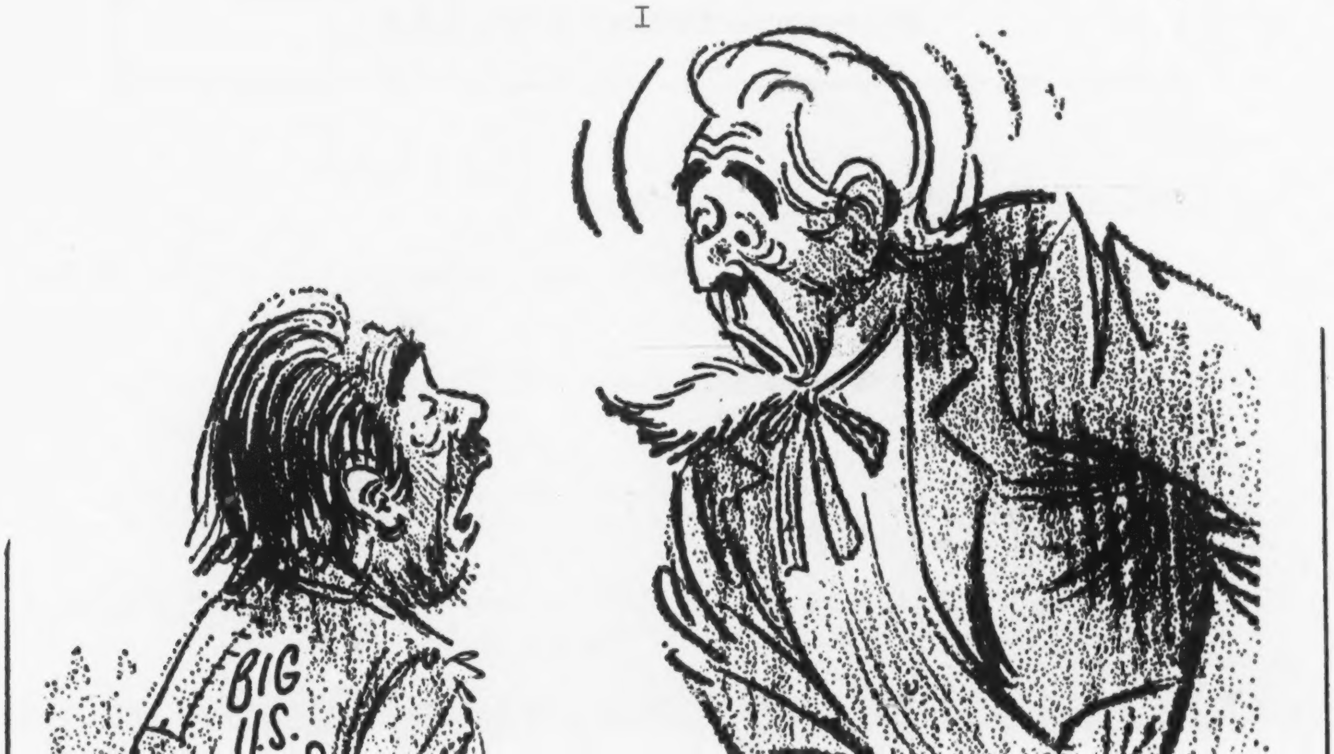
   c. What difficulties might be created by instituting some of the taxes suggested?

   d. What financial problems does the State of New York have? How has it affected its relationship with New York City?

   e. How has the Nixon administration reacted to the tax sharing proposals? Why might this help New York? What are the shortcomings of this plan?

3. Have students study the two cartoons below.

I



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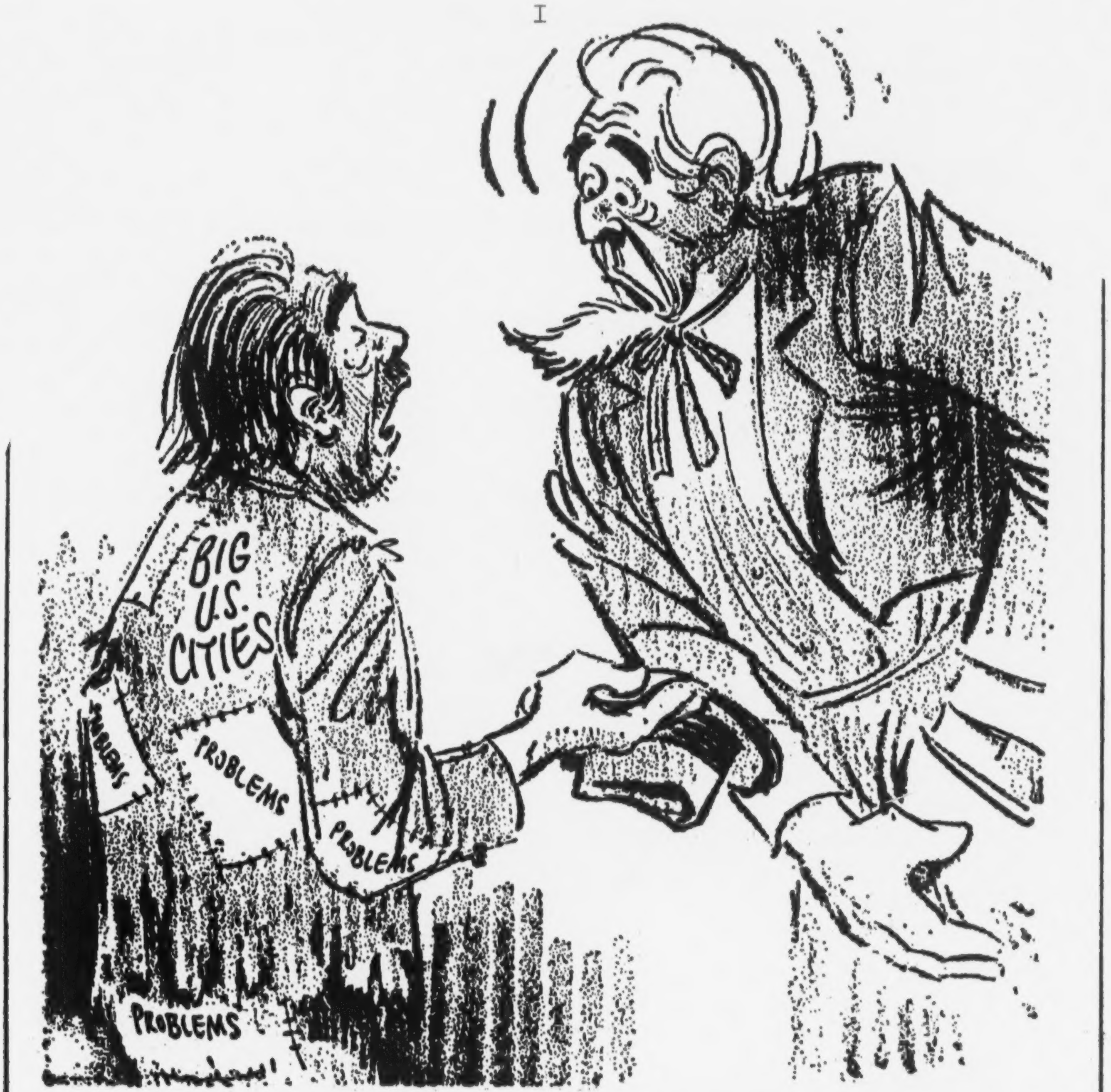
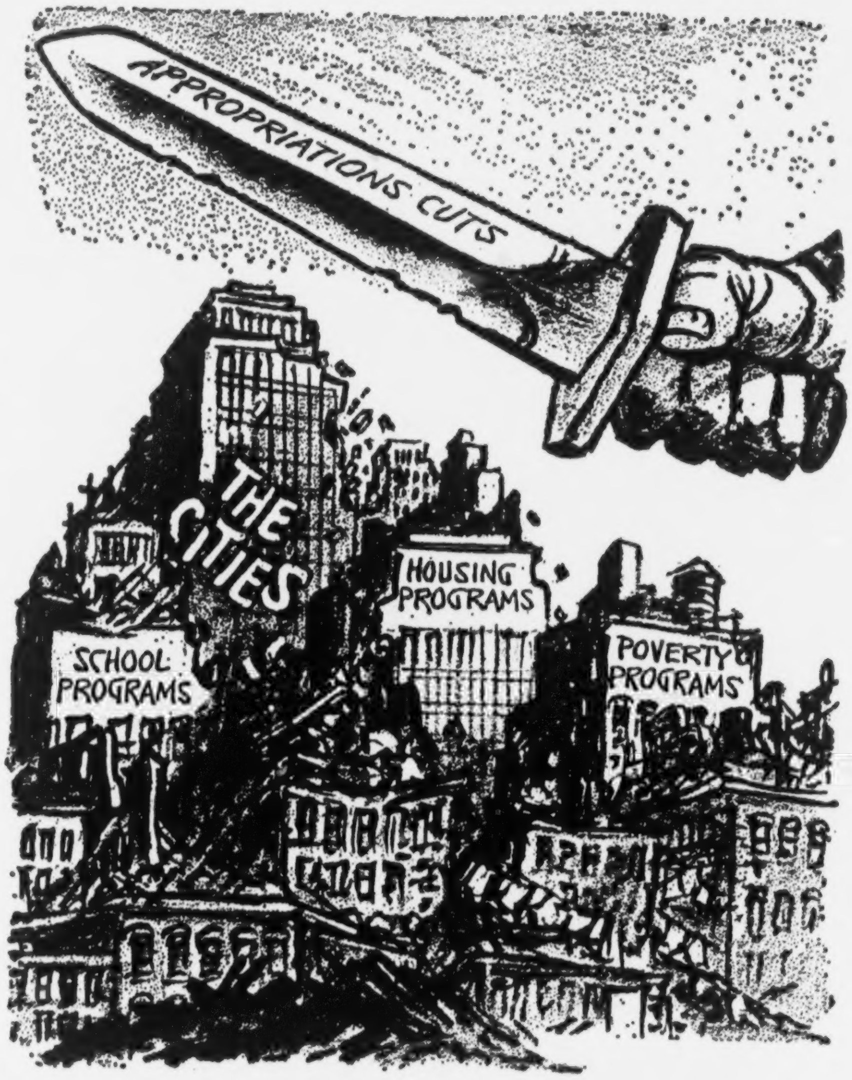


Hesse, St. Louis Globe-Democrat

"Couple hundred billion would help."

II

CRISIS OF THE CITIES


APPROPRIATIONS CUTS
THE CITIES
HOUSING PROGRAMS
SCHOOL PROGRAMS
POVERTY PROGRAMS

Herblock in The Washington Post

Destruction of Civilian Centers, U.S.A.

Questions for Inquiry and Discovery

1. According to Cartoon I, where must financial aid to the cities come from?

2. Why does Uncle Sam appear shaken by the request for money? Why is so much money needed?

3. What effect will cuts in federal spending have on our cities? On American society?

4. Why is a massive effort needed in order to save our "Centers of Civilization" from destruction?

THEME V: ECONOMICS OF THE METROPOLITAN AREA

Selected Bibliography - For High School Students

N = Non-Fiction

B = Biography

Class	Author	Title	Publisher	Date
N	Aylesworth, Thomas	Our Polluted World	American Education Publications	1968
N	Aylesworth, Thomas	This Vital Air, This Vital Water	Rand McNally	1968
N	Burnham, David, et al.	The Changing City	New York Times	1969
N	Coss, Clay, ed.	We Can Save the Cities	Civic Education Services	1967
N	Editors of Fortune	The Exploding Metropolis	Doubleday	1958
N	Goldstein, Robert	New York: Civic Exploitation	Macmillan	1970
N	Gordon, Mitchell	Sick Cities	Macmillan	1963
N	Hunter, David	The Slums, Challenge and Response	Free Press	1968
N	Kerner, et al.	Report of the National Advisory Commission on Civil Disorders	Bantam 1968	1968
N	Leinwand, Gerald	Air and Water Pollution	Washington Square	1969
N	______	Slums	Washington Square	1970
N	______	The City as a Community	Washington Square	1970
N	______	The Negro in the City	Washington Square	1969
N	______	The Traffic Jam	Washington Square	1969
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N	________	The Traffic Jam	Washington Square	1969
N	Liston, Robert	Downtown	Dell	1968
N	________	Can We Save Our Cities	Public Affairs Pamphlet #374	
N	Pringle, Laurence	The Only Earth We Have	Macmillan	1969
N	Regional Plan Association	Goals for the Region--New York, Background Booklets		
N	Report of the Mayor's Task Force on Air Pollution	Freedom to Breathe	New York City	1966

Selected Bibliography - For High School Students

N = Non-Fiction

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Class	Author	Title	Publisher	Date
N		Special Report to Mayor John V. Lindsay	New York City	1967
N		Clearwater: A Challenge to the Nation	U.S. Public Health Service	1960
N	Weaver, Robert	The Urban Complex	Anchor	1966
N	Wright, Nathan, Jr.	Ready to Riot	Holt	1968
N	Mayor's Task Force on Noise Control	Toward a Quieter City	N.Y. Bd of Trade	1970

Selected Bibliography for Teachers

Author	Title	Publisher	Date
Abrams, Charles	The City is the Frontier	Harper & Row	1965
Alexander, Albert (ed.)	Challenges of the Changing Economy of New York City, 1969	New York City Council on Economic Education	1969
Boeckel, Richard	Urban Environment	Congressional Quarterly	1969
Campbell, Alan (ed.)	The States and The Urban Crisis	Prentice-Hall	1969
Chinitz, Benjamin, (ed.)	City and Suburb	Prentice-Hall	1964
Editors, Scientific American	Cities	Knopf	1965
Eldridge, H. Wentworth (ed.)	Taming Metropolis Vols. I and II	Anchor	1967
Goldman, Marshall (ed.)	Controlling Pollution: The Economics of a Cleaner America	Spectrum	1967
Gottehrer, Barry	New York in Crisis	Simon & Shuster	1965
Gottman, Jean	Megalopolis	20th Century Fund	1961
Jacobs, Jane	The Death and Life of Great American Cities	Random House	1961
Jacobs, Jane	The Economy of Cities	Random House	1969
Maier, Henry	Challenge to the Cities	Random House	1966
New York City Council on Economic Education	Fact Book: Metropolitan New York	The Daily News	1970
Von Eckart, Wolf	The Challenge of Megalopolis	MacMillan	1964
Whyte, William	Last Landscape	Doubleday	1968
Wolozin, H., (ed.)	The Economics of Air Pollution	W. W. Norton	
Wilson, James (ed.)	The Metropolitan Enigma: Inquiries into the Nature and Dimensions of America's "Urban Crisis"	U.S. Chamber of Commerce	1967

Audio-Visual Materials

Films

	Air Pollution	Britannica
	Air Pollution: Take a Deep Deadly Breath	Contemporary
	Big City - 1980	Carousel
	Bulldozed America	Carousel
	Challenge of Urban Renewal	Britannica
	Cities: A Dilemma in Black and White	Bailey
	Cities in Crisis: A Matter of Survival	Universal Ed.
	Cities in Crisis: What's Happening	Universal Ed.
	Cities of the Future	Columbia Broadcasting System
389.312	How to Look at a City	
357.31	Living in a Metropolis: New York	
386.131	Megalopolis - Cradle of the Future	Britannica
	Middle Atlantic Seaboard Region: Great Cities - Megalopolis	McGraw-Hill
426.1	New York City	
BAVI	New York City (28-½ hour Programs on All Aspects of New York City)	
	Our Changing Environment	Britannica
	Poisoned Air	Carousel
BAVI	Portrait of a City	
	Remedy for Riot	Carousel
112.91	The Changing City	Churchill Films
	The Cities: A City is to Live In	Bailey
	The Cities: To Build a Future	Bailey
348.173	The City - Lewis Mumford Part I The City - Heaven and Hell Part II The City - Cars or People Part III The City and Its Region Part IV The Heart of the City Part V The City as Man's Home	

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348.173	The City - Lewis Mumford Part I The City - Heaven and Hell Part II The City - Cars or People Part III The City and Its Region Part IV The Heart of the City Part V The City as Man's Home Part VI The City and the Future	
	The Third Pollution	Environmental Control Administration
	Troubled Cities	NET-Indiana Univ.
623.5	Urban Sprawl	
	Water Pollution	Britannica

Filmstrips

	Air Pollution and You	Current Affairs
	Crisis in Urban Development	Current Affairs
5900.13	Future of Our Own	
	Problem of the Cities	New York Times
	Survival in a Polluted Environment	Current Affairs
44530.77	Why and How Cities Grow	

Kits

445.35	Cities, U.S.A.	Guidance Associates
	Crisis of The Environment	New York Times
	Man's Natural Environment: Crisis Through Abuse	Guidance Associates
	Problem of the Cities	Urban Media Materials
	Problems of the Cities	Encyclopedia Britannica
	Water and Air	New York Times
	The Cities-People and Their Problem	New York Times

Tapes

Cities - Pressure Points in Our Society - Senator Robert F. Kennedy	Washington Tapes
Mobility in Megalopolis - Senator Claiborne Pell	Washington Tapes
Problems of the Cities - Robert Weaver	Washington Tapes
Urban Growth - Challenge of Changing Society (Tapes of Programs in Series - Send Blank Tape)	WNYE-FM

Transparencies

Modern Urban Problems #8433	Hammond
Urban Crisis #8438	Hammond
Looking at New York (38 transparencies - 1969)	J.C. Enterprise

Simulation Games

Ghetto	Webster Publ. Co.
Impact	Instructional Service, Inc.
The Cities Game	Look Magazine vol. 32 #12 June 11, 1968

THEME VI: COMPARATIVE ECONOMIC SYSTEMS - THE SOVIET UNION

Introduction

The first five themes have thus far concentrated on the economy of the United States; its organization and development as well as the problems it faces. The student is now prepared to analyze another approach to economic organization. The materials allow the student to view how the Soviet economy is organized, to understand how people live under such a system and to evaluate the problems the economy faces today.

In this theme the learning activities are centered around significant questions.

I. How is the Soviet system of a planned economy organized?

II. How well does the Soviet economy provide for its people?

I. HOW WELL DOES THE SOVIET ECONOMY PROVIDE FOR ITS PEOPLE?

Emphases: The standard of living varies among the people of the Soviet Union.

The role of women in the Soviet Union is unlike their role in the United States.

A. Using case studies to discover how people live in the Union of Soviet Socialist Republics.

I

Life of the Kozlov Family

Thirty-four year old Vladimir Kozlov and his wife, Antonina, 32, live with their 6 year old son Alyosha in a two-room apartment on the fifth floor of a huge housing block in Moscow's eastern industrial district. The Kozlovs both work - he at a ball-bearing factory and she at an engineering institute. Antonina is first to leave for work, at 7:45 in the morning. Vladimir and Alyosha leave together 50 minutes later. (Like many Russian children under school age, Alyosha spends the days with his grandmother - though as the supply of nonworking grandmothers steadily diminishes, state-run nurseries are more and more taking over the care of the preschoolers.)

In the evening after work, Vladimir Kozlov, who is a Communist Party member ("It gives me a sense of doing something"), frequently has to attend to party business. And each evening on her way home, Antonina has to stop off to pick up Alyosha and do her shopping. This often involves trudging from store to store and waiting in interminable lines for bargains. Usually, Antonina buys her

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In the evening after work, Vladimir Kozlov, who is a Communist Party member ("It gives me a sense of doing something"), frequently has to attend to party business. And each evening on her way home, Antonina has to stop off to pick up Alyosha and do her shopping. This often involves trudging from store to store and waiting in interminable lines for bargains. Usually, Antonina buys her groceries at the nearby state-run gastronom, where food is cheaper than in the collective-farm food market a quarter of an hour's bus ride from the Kozlovs' home. Altogether, the Kozlovs spend about $175 on food each month, out of a combined salary of $289 (260 rubles). In fact, after all the bills have been paid, a bare $65 is left for clothes and entertainment.

This, however, does not weigh as heavily on the Kozlovs as it might on an American couple, since the Kozlovs feel no need to save. Besides guaranteed employment, Vladimir and Antonina know that the state will provide them with free medical attention, a 75 per cent subsidized vacation each year and free education for Alyosha.

They pay only $10 a month for their apartment (for which they waited four years) and if they chose to buy a major appliance on time, they would be charged no interest.

In fact, the Kozlovs do not have a car or washing machine or dishwasher. But like a growing number of Soviet families, they do own a TV set, and their apartment is pleasantly furnished. But it is also cramped. Since they have exactly the minimum living space to which each Muscovite is theoretically entitled (10 square yards apiece), Antonina and Vladimir are obliged to sleep on a daybed in the living room and to use the other room both as Alyosha's sleeping quarters and Vladimir's study.

Crowded as the Kozlovs are, they are relatively fortunate. Unlike millions of other Russians, they do not have to share their apartment with one or more other families. Thus they escape the constant nagging quarrels over who pays what share of the light bill and such humiliating expedients as metered toilets.

(Adopted from Newsweek, May 2, 1966)

Questions for Inquiry and Discovery

1. How is life for the Kozlov family similar to life of a working family in America?

2. What differences are pointed out by the case study? What differences can you infer from this selection?

3. What improvements would you as a member of the Koslove family be striving for? Would an American be striving for the same things? Why?

II

Down on the Farm

....still a major problem for Soviet leaders: how to bring the living standard of the 108 million people in rural areas closer to that of the 124 million Russians who live in the nation's burgeoning cities.

At the moment the gap is enormous. More often than not, fields are worked by one wheezing tractor and phalanxes of stoop-shouldered women. Running water, gas, plumbing, or more than one paved street in a farm village is the exception rather than the rule. Western experts estimate that a third to half of the U.S.S.R.'s farms are still without permanent electricity. Wages usually those in the city and educational facilities are so inferior that only a small portion of farm youngsters wind up at Soviet universities.

Well-Run Farm: Like every other stereotype in the U.S.S.R. today, however, this one is changing, too. Particularly in rural areas where electricity and television have penetrated, both cultural and living standards have gone up sharply. While Soviet agriculture in general is still distressingly inefficient

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One case in point is the sprawling 10,140 acre Mir (Peace) collective farm about 150 miles northwest of Moscow, near the ancient provincial town of Torzhok. Electrified and mechanized (it has 42 tractors, 21 trucks, 10 combines), the farm had a gross income last year of $1.5 million. Each worker in the 1,300 member collective averaged from $90 to $110 a month, roughly what a factory hand earns in a city. In addition, the farmers earned half again as much by selling at retail the produce of their small private plots.

The man who runs the collective, bull-necked Aleksandr Borisovich Mezit, 47, presides over his agricultural empire from a crude, two-story green wooden administration building. Over his desk hangs an artist's conception of what the farm headquarters will look like one day - a complex of pleasant brick buildings surrounded by neat flower beds and fronting on wide, paved streets. "This may take fifteen years, "Mezit said flatly, "but we are working on it."

"We are not like the capital," he explained. "Moscow is Moscow. There is no getting around it. They have the big universities. They have more in the stores. We don't have a Bolshoi Theater. But some things we have are better and are getting better all the time. The old differences no longer exist. Life on the farm is changing. We have our own school. The kids have bicycles and wrist watches. Thirty households have TV sets. Almost everyone has a radio. Little by little we are getting what we need."

(Adopted from Newsweek May 2, 1966)

Questions for Discussion

1. How does life on the farm compare to city life? What do they have that is lacking in the cities? What do the cities have that the farmers do not enjoy?
2. What priorities would a Russian farmer establish to improve his way of life?

Collective farmers sell the produce from their private plots at an open market

(Source: Soviet Union, Michael B. Petrovich. Ginn & Company, 1966)

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Questions for Inquiry and Discovery

1. What can you infer about the existence of private property in Russia?

2. Why do you suppose private plots and open markets exist in Russia?

3. How can you account for the fact that a large portion of Russian agricultural output is produced on private plots?

III

MEN AT THE TOP

They flash around Moscow and Leingrad in curtained, chauffeur-driven cars. They wear geometric dresses from Paris, sheepskin coats from London and drip-dry suits from New York. They read limited editions of the latest French books and see private showings of the latest Italian films. "They" are the Soviet elite - the small group of Russians who set the pace, influence opinions and make policies in the U.S.S.R.

The charter members of the Soviet elite are the top men in the Communist Party and the government. Promotion to the upper levels of the Soviet political hierachy automatically carries with it a host of special privileges: an official car, a mid-town apartment and a comfortable country home, and the right to shop at a network of Kremlin-run stores that stock imported goods not available to the general public.

Generally speaking, though, there is more money to be made in Russia outside politics - and more freedom in spending it. Official salaries are high by Soviet standards (a full cabinet minister may earn up to $888 a month) but it is considered bad form for a party bigwig to buy a personal automobile or privately owned country home.

By ruble count, moreover, the richest members of the Soviet elite are the big-name authors. Composers, screenwriters and playwrights who receive royalties - sometimes in coveted foreign currency - for their creations. Right behind them come the officially acceptable painters, sculptors and performing artists who command extremely fat fees for their work. Pop singer Edita Pyekha, for example, earns more money in a month from record sales and personal appearances than the average Soviet worker makes in a year. Finally, the elite also includes the top members of professions which the Soviet state, for one reason or another, considers practically important: scientists, military officers, sports stars, journalists and photographers. (Lawyers and doctors, curiously enough, rank relatively low in the Soviet pecking order.)

Though the members of the elite tend to be clannish and intermarriage among their children is common, admission to elite status still rests essentially on merit and ambition. Once a Russian qualifies as one of the elite, however, the nagging problems that haunt the majority of his countrymen begin to melt away. With his foreign royalties, he can buy otherwise unobtainable goods in special shops that accept only foreign currency. At her hairdresser's or dressmaker's, his wife is swept in ahead of waiting lines of less august customers and his children are almost certain to win admittance to a university.

The infallible mark of the elite Russian, however, is his driven cars. They wear geometric dresses from Paris, sheepskin coats from London and drip-dry suits from New York. They read limited editions of the latest French books and see private showings of the latest Italian films. "They" are the Soviet elite - the small group of Russians who set the pace, influence opinions and make policies in the U.S.S.R.

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The infallible mark of the elite Russian, however, is his escape from the Soviet Union's chronic housing shortage. His apartment will be extra-large and he may even own it himself. In recent years, so many groups of writers, artists and scientists have clubbed together to build their own co-operative apartment houses in one section of Moscow's Leningradsky Prospekt that local wags have christened the area "the Avenue Parvenu." Similarly, the white birch forests around the Soviet capital are dotted with villages composed almost entirely of spacious dachas maintained as holiday retreats by members of the intelligentsia.

By U.S. standards, these oversize apartments and much-prized country homes are far from ostentatious; they are, in fact, less impressive than the homes of many middle-class Americans. But they are apt to be comfortably - and tastefully - furnished. And they are almost certain to possess a connoisseur's collection of books, paintings, and records.

(Adapted from Newsweek, May 2, 1966)

Questions for Discussion

1. Can Russia be called a classless society? Why?
2. What can you infer about Soviet priorities from the categories of workers earning the highest incomes in Russia?
3. How do these priorities compare to those established in the United States?

IV

WOMEN

Inside Moscow's enormous, gray stone Lenin Library, a smartly dressed young woman engineer pored over the latest issues of Vogue and Elle. At the sprawling, glass-domed GUM department store on Red Square, other women pushed and shoved to get up to the black-lace underwear counter which was featuring satin slips at $28 apiece. And nearby, at the turn-of-the-century National Cafe, a 30-year-old housewife sank wearily into a leather chair after a fruitless four-hour search for "just the right" light-colored spring coat.

All three of these scenes reflected the latest fact of feminine life in the Soviet Union. Since the earliest days of the Boshevik revolution, the Soviet Government has consistently sought to spur Russian women into educational and economic equality with Russian men - and with significant success. Today, women make up 48 per cent of the Soviet labor force, supplying among other things, one-third of the nation's industrial engineers and nearly three-quarters of its arc-welders. But increasingly, despite the the fact that most of them are fiercely proud of their ability to compete on equal terms with men, Soviet women are no longer content to hide their femininity under a production quota.

It is, in fact, chic to be chic in the U.S.S.R. Newspapers regularly advise their female readers how to keep slim, apply make-up and care for their skin. The government plans to turn out more and more nylong stockings, face powder, lipsticks and curlers, and there is even talk that it may import Dior perfumes. Moscow and other big cities have set up Institutes of Cosmetology, elaborate beauty parlors where women can get everything from a snow facial (33 cents) to a new nose ($55). "The lot of women in our country is getting better," says Maria Ovsyannikova, the tiny, sixtyish editor of the magazine Soviet Woman. "If you would have seen us during the war you'd realize the difference. We all want to be pretty now, even old ladies like me."

Until a few

2. What can you infer about Soviet priorities from the categories of workers earning the highest incomes in Russia?

3. How do these priorities compare to those established in the United States?

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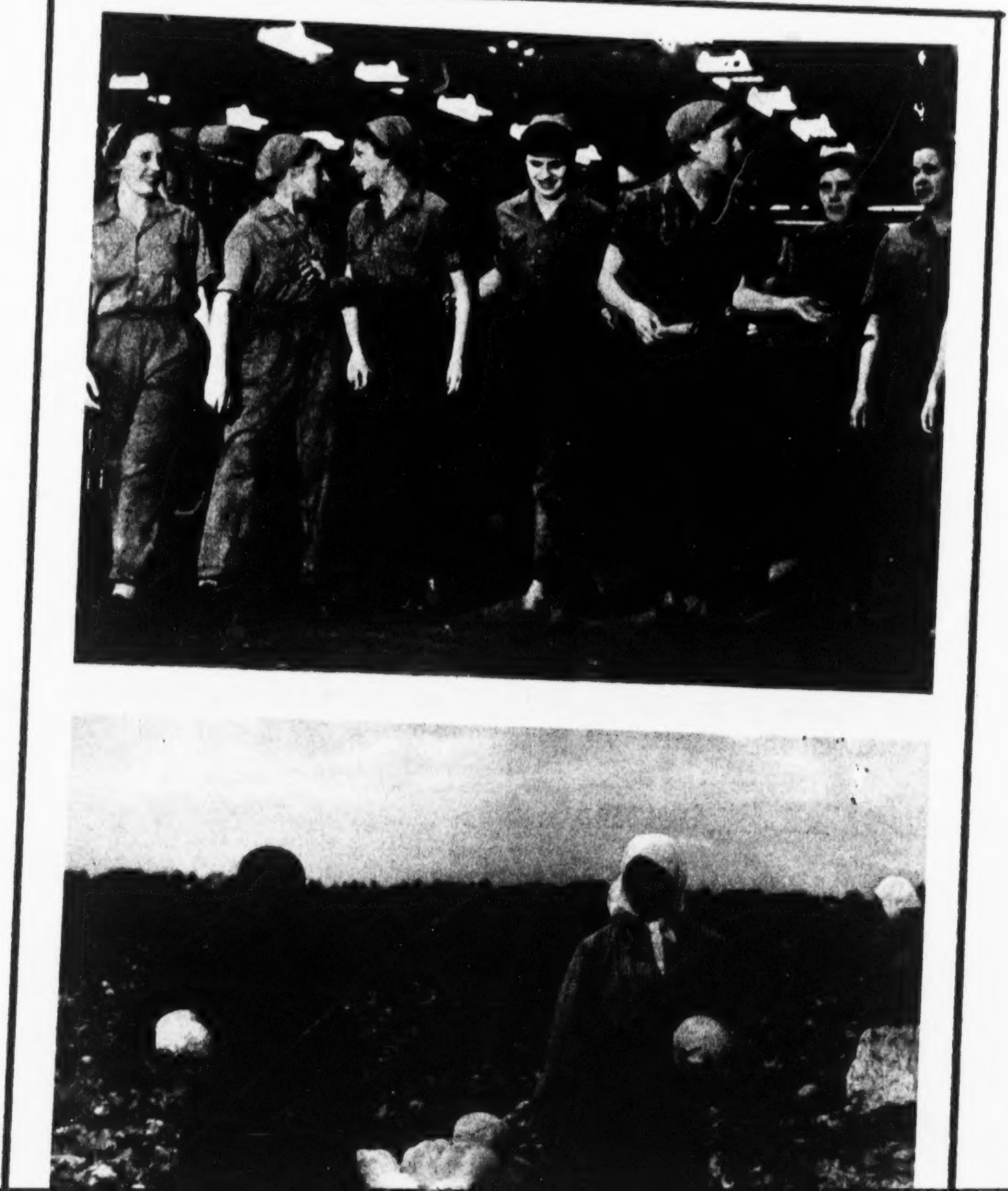
Until a few years ago few Soviet women spent much time on themselves. "Under Stalin a girl would have been criticized for wasting valuable working hours at a beauty parlor," one woman explained. And even now the average Russian woman has trouble finding any spare time. Besides putting in seven hours a day at a job, she is expected to perform all the normal female housekeeping chores - and still stay beautiful. "Twelve billion working days - that is what women spend on housework each year," one woman complained bitterly. "I could put up with it all if just once in a while my husband would show some understanding," another woman added wearily.

And this, of course, gets right to the heart of the problem. The equality and independence that Soviet women now enjoy have been achieved only at a price; they are no longer treated as fragile flowers. Soviet men, in general, seem to have lost much of their sense of protectiveness toward their comrade wives and frequently treat them with what would be regarded in the West as boorishness; Soviet husbands rarely bother to introduce their wives at parties and in many cases don't even bother to take them along when they go out.

Some observers theorize that this is because the shortage of males created by heavy World War II casualties has led Soviet women to spoil the current generation of Soviet men. But more likely it stems from the fact that boys are reared to accept girls as equals and see no reason to treat them differently when they become wives. "The boys must be taught that girls are not simply boys in skirts," argues one mother.

Other Russian women, however, maintain that boy-girl relationships would iron themselves out if only women were not so overworked. One Moscow wife even went so far as to suggest that, while it was fine to have a job ("It keeps me from becoming just a shadow of my husband," she explained), the workday should be shortened for women so they could attend to the house, the children and themselves. "As I see it," she said bitterly, "the difference between women in the capitalist world and women here is mostly that we have seven hours less a day to run our households."

(Adapted from Newsweek, May 2, 1966)



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(Pictures from - The U.S.S.R., Wright Miller, Oxford University Press, 1965.)

Questions for Inquiry and Discovery

1. What are the major complaints of Soviet women?
2. How does equality for women differ in the United States and Russia? How is it alike?
3. What is gained from the high degree of equality that exists in Russia? What is lost?
4. Would our economy benefit from a higher degree of equality for women? Why?

Follow-up Activities

*1. The following Universal Education and Visual Arts films can be shown to the class to develop a clear visual appreciation of Soviet agricultural and industrial life:

U.S.S.R. - Family of Tashkent (Life on a Collective Farm)

U.S.S.R. - Pioneer Family of Batsk (A Siberian City is Born)

U.S.S.R. - Six Workers of Moscow

**2. "From each according to his ability, to each according to his needs!"

Karl Marx

"From each according to his ability, to each according to his work."

Soviet Constitution, 1936

Questions for Inquiry and Discovery

1. How do the two statements differ?
2. Why do you suppose the 1936 constitution changes Marx's slogan?
3. How closely do the readings about farmers, laborers and artists reflect the views of Marx? Of the 1936 Constitution?

Questions for Discussion

1. Have the Soviet leaders abandoned the ideals of Marx?
2. What values seem to be most important to the Soviet leaders? Workers? Farmers, housewives?

*3. Students can draw their own cartoons showing how they view life in the Union of Soviet Socialist Republics. Cartoons can show such things as:

- life on a collective farm
- the contrast in living standards
- production and consumption problems.

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* Recommended for Students Achieving Below Grade Level
** Recommended for Students Achieving Above Grade Level

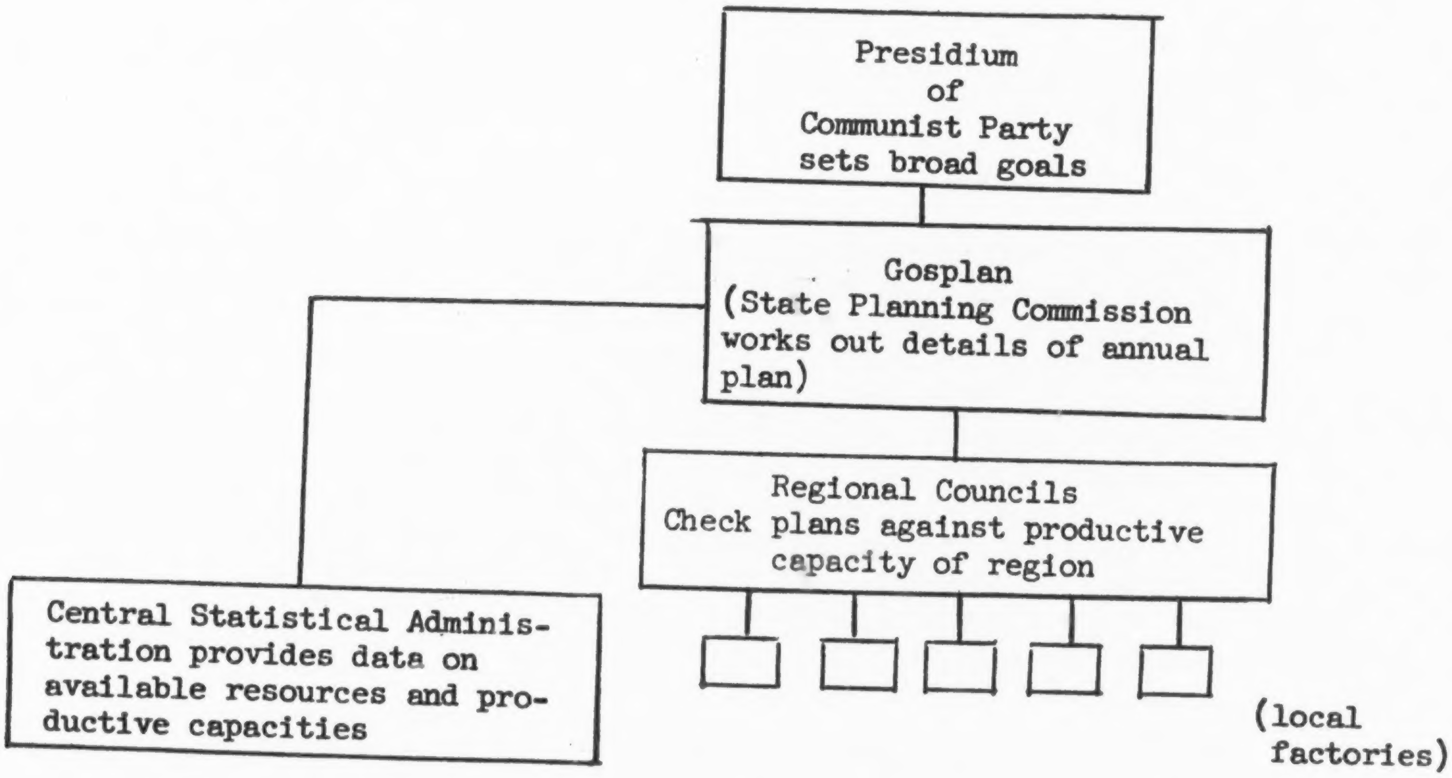
II. HOW IS THE SOVIET SYSTEM OF A PLANNED ECONOMY ORGANIZED?

Emphases: The Soviet economy is essentially one of central planning and direction.

Official and unofficial institutions have developed to move the economy away from total central planning.

In many respects the Soviet economy has not performed as well as the American economy.

A. Using a chart to understand how the Russian economic system is organized:


Presidium of Communist Party sets broad goals
Gosplan (State Planning Commission works out details of annual plan)
Regional Councils Check plans against productive capacity of region
Central Statistical Administration provides data on available resources and productive capacities
(local factories)

Questions for Inquiry and Discovery

1. Where are economic goals established in the Soviet economy? Where in the American economy?

2. What is the position of the GOSPLAN? Is there an American counterpart to the GOSPLAN?

3. Who participates in making the final economic decisions?

Follow-up Activities

**1. Individual Research

Students can determine the functions of each of the following in the Soviet system:

GOSBANK
Regional Councils

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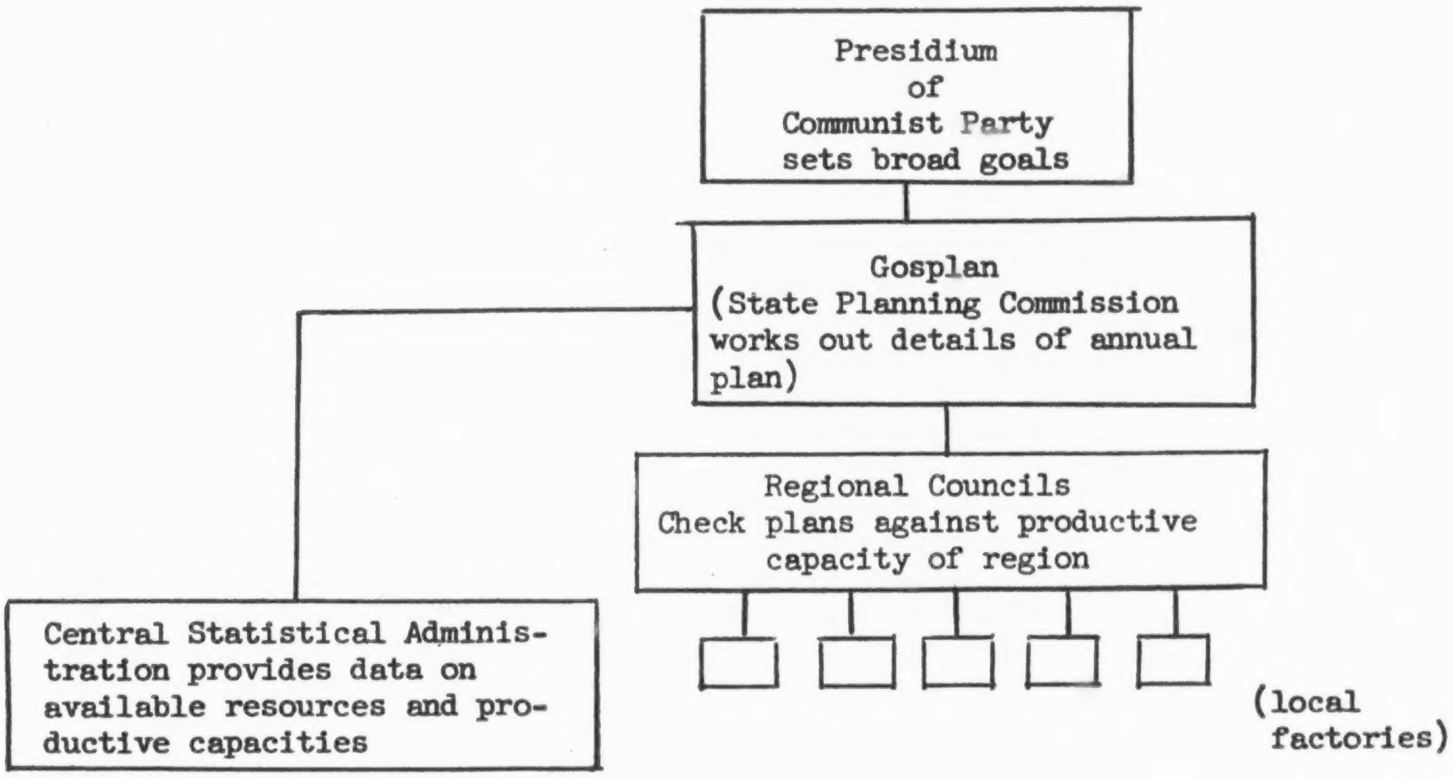
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Follow-up Activities

**1. Individual Research

Students can determine the functions of each of the following in the Soviet system:

GOSBANK
Regional Councils
Turnover Tax

2. The class can engage in an exercise designed to show that planning is a difficult process and that, as in all economic systems, the interrelationships in the economy complicate the problems.

To make 100 widgets, requires 50 additional globs.
To make 50 globs, requires 50 additional majigs.
To make 50 majigs, requires 50 additional widgets.

**Recommended for Students Achieving Above Grade Level

The Planning Commission decides to produce 100 more widgets. What products will be needed to produce them?

Worksheet

100 widgets require 50 globs __________ needs __________

50 globs require 50 majigs __________ needs __________

50 majigs require 50 widgets __________ needs __________

50 widgets require __________ __________ needs __________

__________ needs __________ __________ needs __________

B. Using excerpts from economic texts to learn how planning is implemented in Russia:

I

"The plant manager gets a quota, together with detailed information on the supply of materials he will receive, the equipment he will be allocated, the labor he is to use, and so on. But it's up to him to get the final product out. His job is to meet the quota. If he exceeds his quota, he is praised by the party and gets substantial economic rewards. These are money, better housing, a car, paid vacations, and other such benefits not available except through the official reward system. On the other hand, if his plant ends the year below quota, or if he requires more labor and materials than he's been allocated, he's done a bad job. His income goes down; his special prerequisites are taken away; in extreme cases he may be demoted or even expelled from the party, of which he is probably a member if it's an important plant.

"The Soviets are thoroughly aware of the importance of good managers to the success of their plans. Managers get among the largest incomes in the economy. They receive medals and public commendations for exceeding quotas. But the communists are harsh critics when managerial performance falls short."

(From ECONOMICS. George Leland Bach. An Introduction to Analysis and Policy, 5th ed., 1966. Reprinted by permission of Prentice-Hall, Inc., p. 692.)

Questions for Inquiry and Discovery

1. How are managers encouraged to carry out the plan?
2. What shortcomings do you see in this plan?
3. In what ways can this plan be effective?
4. How does this system differ from the American System? How is it similar?

II

Labor in the Union of Soviet Socialist Republics

"The general approach to labor policy is not much different in principle from that regarding the managers. The regime presents highly contrasted possibilities to the Soviet workers. Those who enter certain elite occupations, those who are earnest workers and overfulfill the work norms, those who are willing to

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"First of all, ... the wage (rate(s) established for different jobs vary. At the basis of the system in every branch of Soviet industry is a scale which sets out a number of skill classifications corresponding to different responsibilities and degrees of skill. A basic rate of pay is established for each of these categories. Generally speaking, ... (differences in) wages among the skill classifications is greater than would be true in a comparable American plant or industry. For many of these pay scales, the difference between the pay of the person in the highest skill category and that of the person in the lowest is 2.8 times, in others 3.5 times, and there are some industries in which (the) base pay rate of the highest skill category is 4.5 times as high as that of the lowest. Such great (differences) between the highest and lowest paid manual workers in a plant is rare in industry in the United States. In addition to this variation within industries, considerable variation between pay scales exists for different industries. Those which the government considers high-priority industries and which require special skills generally have much higher pay scales than does, say, the food industry.

"(The Soviet Union also uses) the piece-rate system (extensively). ... To a far greater extent than in American industry, the Soviet worker is paid on the basis not of how much time he puts in, but by how many units of output he produces. In recent years, about 75 percent of Soviet industrial workers, for instance, have been paid on a piece-rate basis. The corresponding fraction for American industry would be much smaller. Under the piece-rate system, there will be set for each job a certain hourly or daily norm of output which the worker is supposed to try to fulfill. If he fulfills the norm just 100 per cent, he gets the basic wage specified in the wage scales described above. For exceeding the output norm he will receive a wage higher than that specified in the wage scale. Moreover, in recent years about a third of Russian industrial workers have been paid on the basis of what the Russians call the 'progressive piece system.' That is, the rate of pay per unit of output goes up as the norm for production is exceeded. For producing more than a certain number of units per hour, the worker will be paid at a successively higher and higher rate, so that if he overfulfills the norm by 10 per cent he may get 20 per cent more income than if he just fulfilled the norm 100 per cent.

"Soviet wages are further differentiated according to the unattractiveness of the work. For instance, the government establishes large geographical (differences) in wages. In order to get people to work in the far north and in some of the remote eastern areas, wages almost double those in most parts of the Soviet Union are offered. In some other branches of industry there may be differentials for dangerous work, for underground work, and other unattractive features of certain jobs.

"The balance between these positive and negative incentives has varied over time. Emphasis on the negative incentives became particularly strong beginning in the late 'thirties' and during the Second World War. During the second World War some workers, as for instance railroad workers, were even made subject to martial law and laborers were conscripted and assigned to factories. In recent years, however, the trend has been more away from the negative incentives. Some of the repressive labor legislation has been repealed, and in general labor laws have been interpreted more leniently . . . The Russians are recognizing that a relatively free labor market, dominated by positive incentives, is more effective than one characterized by compulsion.

"Positive incentives in the form of monetary rewards for working hard, for entering elite occupations, and for improving one's skills are accompanied in the Soviet-Union to an unusual degree by legal forms of labor discipline. There has traditionally been a considerable degree of compulsion in Soviet labor policy. For instance, all Soviet workers carry what are called labor books. The labor book shows the worker's name, his qualifications, the jobs he has held, the pay he has received during his whole working career. When a worker takes a job, he turns his labor book over to his employer, who keeps possession of it as long as the worker is in his employ. Since a worker cannot get a new job without presenting this labor book to his new employer, he must virtually have permission from his old employer to leave his job ... During some periods of Soviet history, the law has provided severe punishments for workers who were late to work, who came to work drunk, or were absent from work ...".

(From Soviet Economic Power, Robert Campbell, Houghton Mifflin Co., 1966 p. 135, 137.)

Questions for Inquiry and Discovery

1. What do the following terms mean: hourly rate, piece rate, productivity, positive incentive, negative incentive.
2. Do positive or negative incentives work best for Soviet workers? How do you know?
3. Do we have negative incentives in the United States? Which type of incentive works best here?
4. Why does the Soviet Union use the piece-rate system extensively as a basis of payment?

Questions for Discussion

1. Should the United States adopt a piece-rate system for labor? How might Unions react?
2. How effectively does this system reflect the philosophy "To each according to his needs"? "To each according to his work"?
3. Do you feel the piece rate system is used to exploit Soviet workers?
4. What types of incentives work best for you in relation to your school work? What changes would you like to see?

Follow-up Activities

1. Students can read

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Follow-up Activities

1. Students can read the following selections to find out what modifications have taken place in the Soviet economic structure.

I

A chance encounter at an airport in Siberia was very informative I had arrived in the evening, and my plane was not due to leave until the next morning. At the airport hotel the receptionist told me that no beds were vacant at the moment, but that one would become available during the night.

I settled myself in an armchair in the lounge. A little later a passenger carrying two suitcases arrived ... (H)e sat down besides me ... Having ordered the vodka, he plied me with questions about the economy. "Let us take as an example," he said, "the Volkswagen plant in Germany. Let's say the program for the year is ... 500,000 cars. If you include one spare,then five tires will be needed for each car, or a total of 2.5 million tires. Suppose the factory then finds it can produce 30,000 more cars in a year. It will then need 150,000 more tires. What does the management do to get them? ..."

I answered, "Volkswagen ... would have no difficulty in getting extra tires from the firm that supplies them, since that firm, anticipating such a situation, will always keep a surplus on hand."

"I see. But let's suppose they can't get them like that - suppose the supplying frim just hasn't got them."

"In that case Volkswagen goes to another tire manufacturer."

"Direct? Just like that?"

"But suppose the second firm doesn't have 150,000 tires either, and no other tire manufacturer in the country has them? This could happen, couldn't it?"

" ... If that happened then the firm would turn to a tire company abroad."

"Could they get the necessary foreign currency?"

"No difficulty about that ... "

"Then in your country," he said with a laugh, "I should be out of a job." ...

"What do you do for a living, then?" I asked, although I already had a fairly good idea.

"Me? My specialty is eliminating bottlenecks and oiling the wheels of industry."

"Ah! I said. "So you're a Zis man?"

He laughed. "You know the expression?" (It is a play on words.)

There is a car called the Zis, a product of the Zavod Imeni Stalina, the Stalin Factory (since renamed). But "Zis" also stands for "Znakomstva i svyazi" (connections and contacts).

I asked him, "How do you go about it?"

"I'll tell you. Let's say a factory is short of tires and can't get them anywhere. The director phones me. 'Stepan Alexeyevich,' he says, 'get me forty tires, will you? Our trucks are being held up, and our suppliers have let us down. The Glavk (the appropriate administrative department) can't help us, and the Ministry has let us down too ...'"

"Well, I go to the chief accountant: 'Maxim Ivanovich,' I say, 'the director told me to come to you. He wants me to get forty tires. Give me the money!' The accountant moans and groans ... He always does - as though he already had one foot in prison!" (The accountant a year. It will then need 150,000 more tires. What does the management do to get them? ..."

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"Well, I go to the chief accountant: 'Maxim Ivanovich,' I say, 'the director told me to come to you. He wants me to get forty tires. Give me the money!' The accountant moans and groans ... He always does - as though he already had one foot in prison!" (The accountant is not allowed to make money available for any purpose not provided for in the plan, and Zis men, with their fairly heavy expense accounts, are not, of course included.) "But he has to fork out anyway, because if we fall short of the target due to lack of tires, it won't be any more amusing for him than for the rest of us."

"So he overcomes his scruples and does something illegal?"

"What else can he do? We've got to complete the program. But he'll try to cover himself by getting the director to sign and pretending he doesn't know what it's all about. So in the end he gives me my travelling expenses - first class, of course, because we're an important firm - with some extra money for gifts and entertainment ... Before I set out, others let me know of their needs. One wants so much copper wire, another asks me to find him a skilled mechanic ..."

"What does the Party secretary in your factory think ...?"

"Him? Oh, he looks the other way. He's just as eager as anyone to see the plan fulfilled ... It's much better for him, too, if the factory where he is Party secretary reaches its quota."

"But surely, as Party secretary, he can count on being commended if he discovers irregularities and reports them?"

"Perhaps. But I know of one case where a Party secretary who had reported irregularities was reprimanded for being a bureaucratically minded grumbler. Still - let's assume he gets a pat on the back. It's the last he'll get, because from then on he won't be let in on any of the factory secrets. We're all equally interested in seeing that we meet the state's production demands. Director, chief cashier, Party secretary, staff, and the Ministry - everybody's on the side of the man who sees that the plan is carried out."

"What about the Ministry of Inspection and Supervision?"

"That's different. They've got their own machinery. Fulfillment of their plan isn't a question of goods produced but a wrongdoers handed over. That's what they get their decorations for. But there are limits even to that. Counter-intelligence measures - the police are first-rate at that. But bookkeeping no."

"So they all come to you with requests, and eventually you set off?"

"Yes. I travel here and there, visit people, chat with them, give them all kinds of presents, dine them, wine them, and promise them this, that, and the other, until at last I've got what I want."

(From Soviet Man and His World, Frederick A. Praeger, Inc. 1962, pp. 84-87.)

Questions for Discussion

1. How effective would the Soviet economy be without the Zis Man?
2. Why do Soviet officials "allow" them to break the law?
3. Do we have a counterpart in the American economy?

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4. Does a command economy make a Zis Man necessary?

II

Best known among the Soviet innovators is Professor Y. G. Liberman (lee-ber-mun) of the Kharkov Engineering and Economics Institute. His famous manifesto first appeared in Pravda on September 9, 1962, and it made six points:

1. Production planning should be the responsibility of the factory manager, not of some remote bureaucrat in Moscow.
2. Financial incentives should be used to encourage workers to boost individual output.
3. Incentive pay should also be based on the performance of all plants in a given industry having essentially the same natural and technical problems.

4. Make centralized planning workable by limiting it to overall decisions for an industry or region, with various checks on Moscow bureaucrats and lower-ranking economic councils.

5. Take incentive funds out of the profits of enterprises.

6. Establish a flexible pricing system that is related to production and distribution costs.

On this last item, it should be pointed out that the Soviet Union has long used the State's power to set prices as a (way of) rationing (the goods and services produced) ... When there is a shortage of some commodity (product), its price is often raised out of sight, thereby keeping the merchandise in the stores until production can catch up with the demand, which sometimes never happens. But the shortage is less obvious to the consumer who, although he can't afford to buy the item, at least can see it in the store ...

The Liberman plan is chiefly designed to eliminate two of Soviet industry's worst snags. One is the penchant (habit) of factory managers to "bargain" with planners for (only) modest increases in their production quotas so they can easily collect a handsome bonus for fulfilling them. This, of course, tends to retard growth.

The other snag comes about when management seeks to fulfill quotas by lowering quality or by failing to produce a full assortment of sizes and models. The planners ... tried to prevent these practices by imprisoning the managers in a strait-jacket of regulations, directives, and detailed production plans ... Under Liberman's plan, (the factory manager) need worry about only three (indicators): total volume, a breakdown of product types, and a delivery schedule.

And most important of all, performances now based solely on profits.

(Adapted from "Russia Today," A Newsbook of the National Observer, Edwin A. Roberts, Jr. Dow Jones & Co., Inc. 1967)

Questions for Discussion

1. Why is the Soviet System instituting these changes?

2. How might this plan affect overall efficiency of the economy? Why?

3. In what ways are Professor Liberman's ideas like the ideas behind a market economy? How are they different?

**4. Individuals can be given a project to compare various annual wage rates of Soviet workers. Students can answer the following questions:

a. How do annual wage rates differ?

5. Take incentive funds out of the profits of enterprises.

6. Establish a flexible pricing system that is related to production and distribution costs.

On this last item, it should be pointed out that the Soviet Union has long used the State's power to set prices as a (way of) rationing (the goods and services produced) ... When there is a shortage of some commodity (product), its price is often raised out of sight, thereby keeping the merchandise in the stores until production can catch up with the demand, which sometimes never happens. But the shortage is less obvious to the consumer who, although he can't afford to buy the item, at least can see it in the store ...

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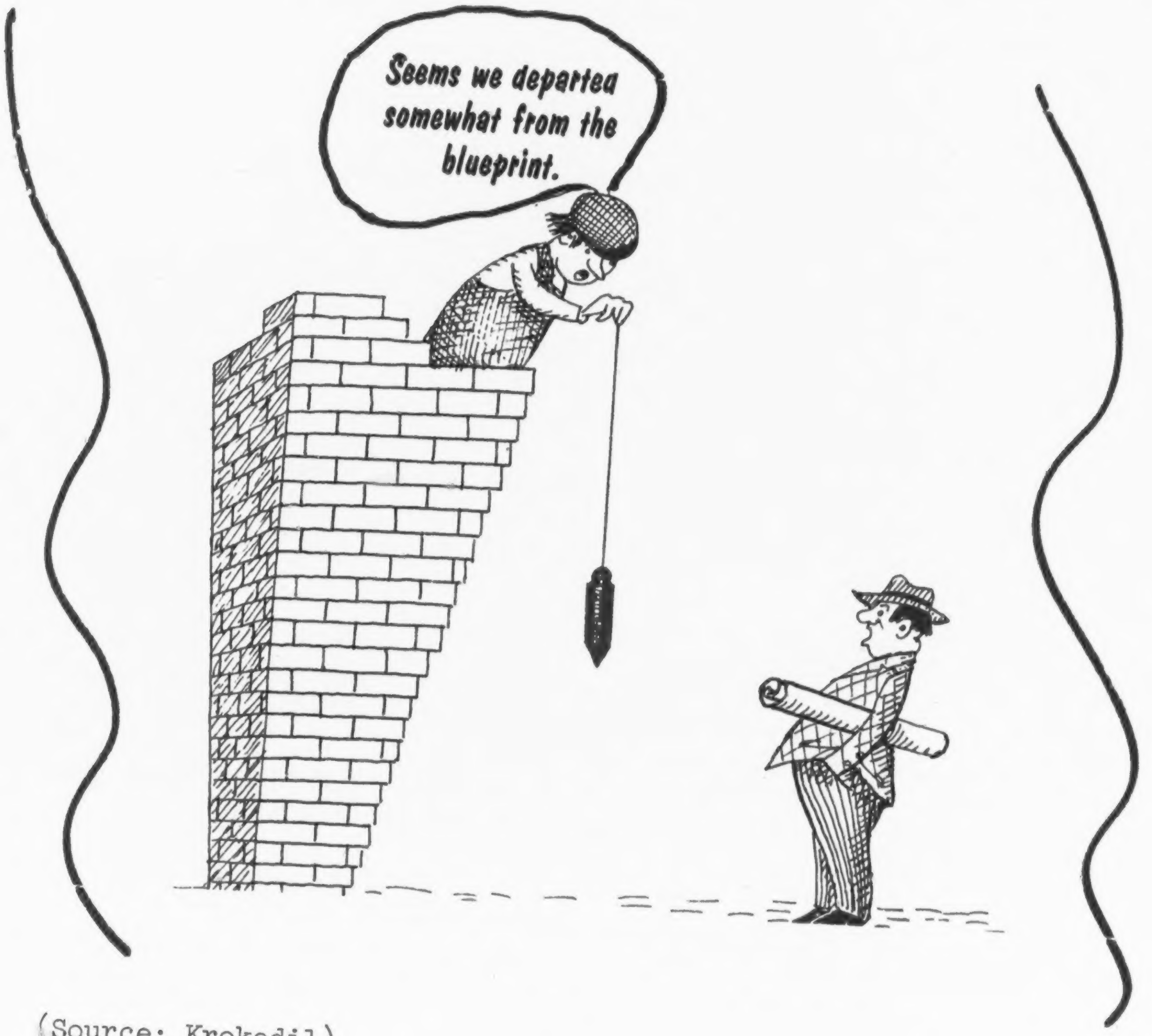
   a. How do annual wage rates differ?
   b. Why do they differ?
   c. How do these differences reflect the priorities of the economy?
   d. In what ways do the priorities differ from our own? How are they alike?

**5. Students can interpret the cartoons below to get some insights into some of the problems of the Soviet economy.

---

* Recommended for Students Achieving Below Grade Level
**Recommended for Students Achieving Above Grade Level

I


Seems we departea somewhat from the blueprint.

(Source: Krokodil)

1. What title would you give to this cartoon?

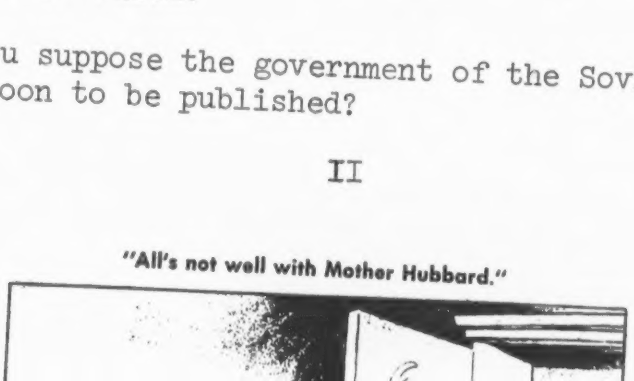
2. According to the cartoon, how efficient is economic planning in the Soviet Union?

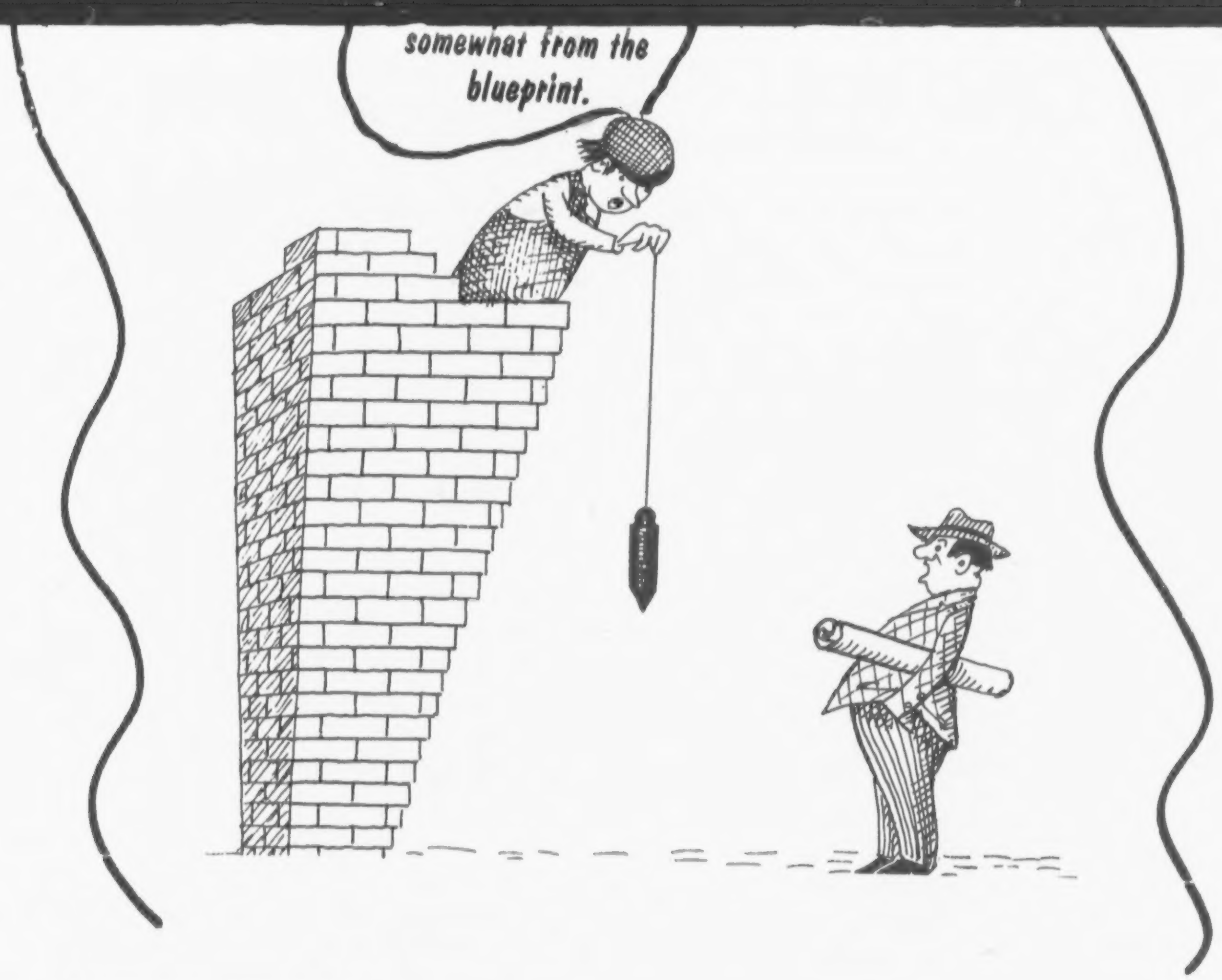
3. This cartoon is based on one that appeared in the Soviet magazine Krokodil. What does this tell you about criticism in the Soviet Union?

4. Why do you suppose the government of the Soviet Union permitted this cartoon to be published?

II

"All's not well with Mother Hubbard."

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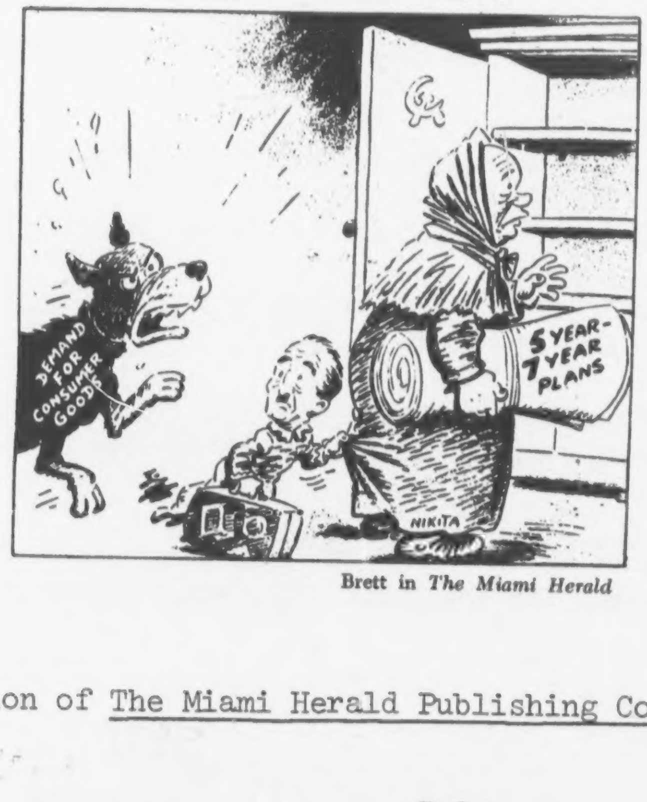

DEMAND FOR CONSUMER GOODS
5 YEAR- 7 YEAR PLANS
NIKITA

Brett in *The Miami Herald*

(By permission of The Miami Herald Publishing Company)

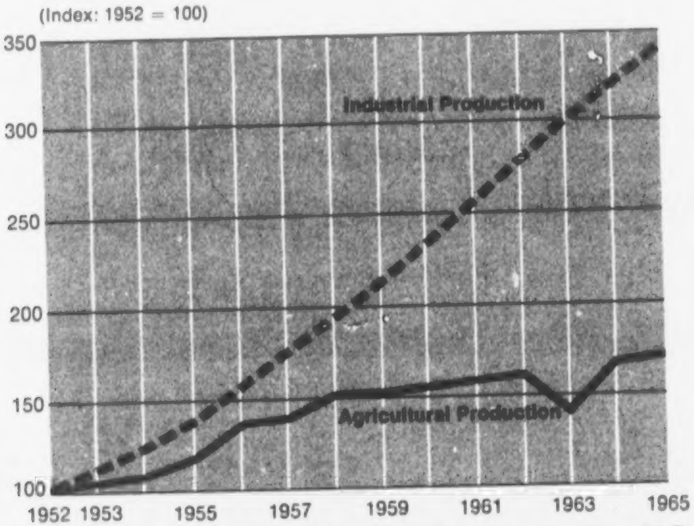
1. What problem is the cartoonist portraying?

2. How could increasing consumer demand for goods complicate government planning?

3. How could consumer demand be satisfied to a greater extent? What would be the cost?

C. Using and interpreting statistics to learn how well the Soviet economy has performed.

I



Soviet Industrial and Agricultural Production. *Sources: U.S. Dept. of Agriculture and U.S. Dept. of Commerce.*

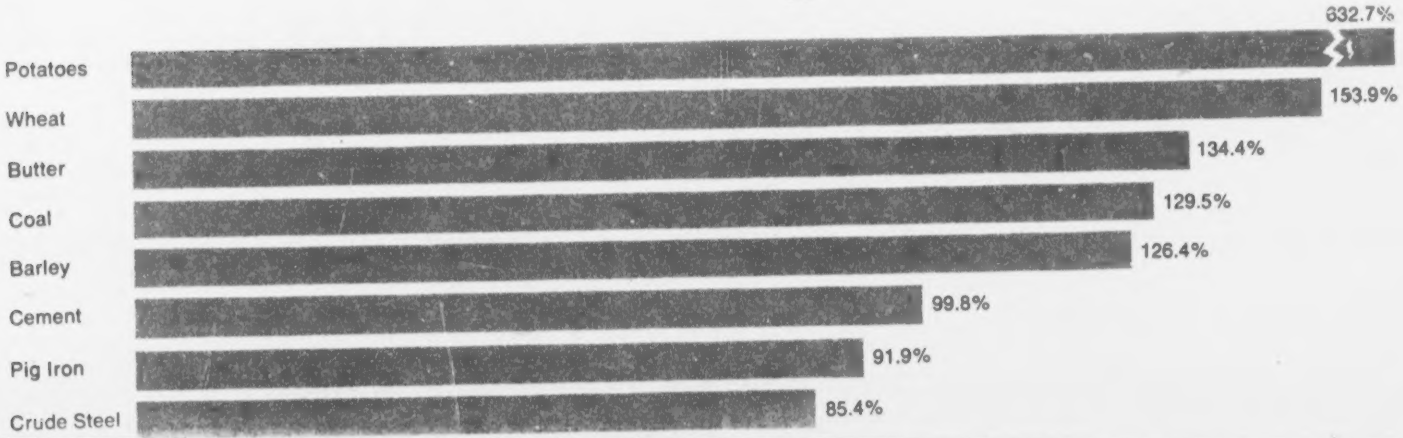
Questions for Inquiry and Discovery

1. What criteria would you use to evaluate the performance of an economic system?

2. How would Soviet planners rate in the area of industrial production?

3. What additional information would you need to better assess the Soviet economy?

II



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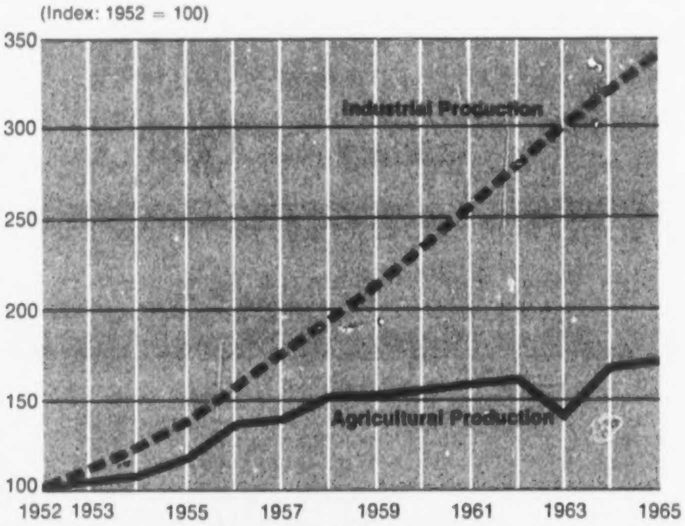

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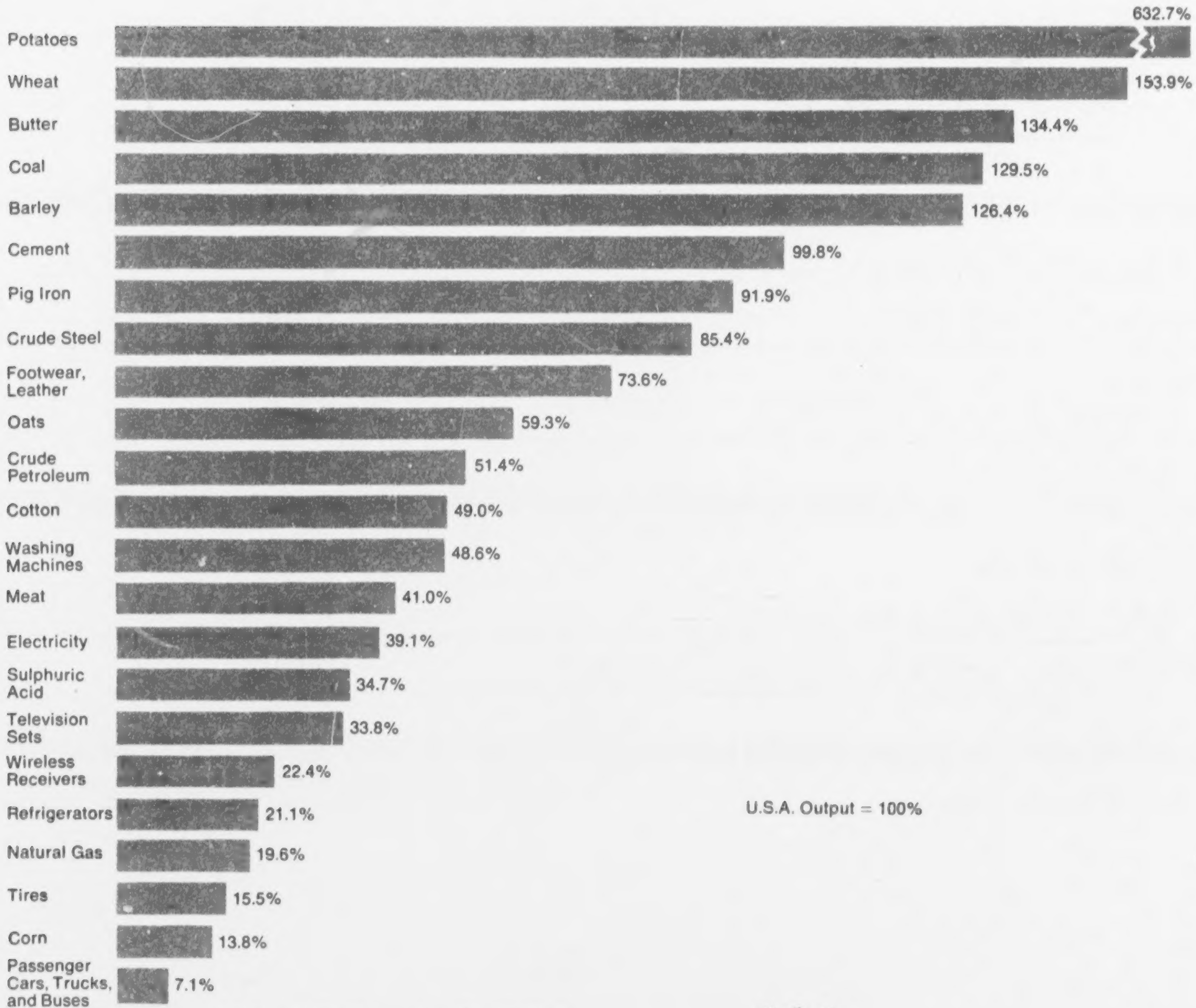

U.S.S.R. Production of Selected Products as a Per Cent of United States Production, 1965. ***Source: National Industrial Conference Board.***

Questions for Inquiry and Discovery

1. Is it fair to compare Soviet economic performance to our own? Why?
2. In what areas has the Soviet economy been most effective?
3. Where do problems exist?

III

HOURS OF WORK REQUIRED TO BUY GOODS

January 15, 1965*

	IN MOSCOW	IN NEW YORK	NEW YORK CITY PRICE
Foods			
Bread, white (1 lb.)	23 min.	6 min.	$ .25
Potatoes (1 lb.)	4.5 min.	1.5 min.	.07
Beef, rib roast (1 lb.)	73 min.	20 min.	.88
Butter, salted (1 lb.)	163 min.	17 min.	.78
Sugar (1 lb.)	47 min.	2.7 min.	.12
Milk, at grocery (1 qt.)	28 min.	5.9 min.	.26
Eggs, 2nd grade (1 doz.)	108 min.	14 min.	.63
Tea (1¾ oz.)	38 min.	3.2 min.	.15
Men's Clothing			
Shirt, cotton**	13 hrs.	1.7 hrs.	4.70
Suit, wool, single-breasted, middle of price range	183 hrs.	23.6 hrs.	63.66
Shoes, leather oxfords	41 hrs.	6.6 hrs.	17.93
Women's Clothing			
Dress, street, rayon	49 hrs.	5 hrs.	13.88
Shoes, leather oxfords, middle of price range	38 hrs.	5.5 hrs.	15.06
Stockings, nylon	5 hrs.	31 min.	1.39
Other Goods			

3. Where do problems exist?

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Shoes, leather oxfords, middle of price range	38 hrs.	5.5 hrs.	15.06
Stockings, nylon	5 hrs.	31 min.	1.39
Other Goods			
Soap, toilet (3½ oz. cake)	21 min.	2.7 min.	.12
Cigarettes (package of 20)	20 min.	8 min.	.36
Vodka (fifth)	8 hrs.	2 hrs.	5.12

* latest figures available
** lowest priced shirt in Moscow

Source: "New Directions in the Soviet Economy," study prepared for the Joint Economic Committee, 89th Congress.

*Teachers can prepare a transparency of the table above and have students answer the following questions:

1. As a consumer how would you rate the Soviet economy?

2. How does the Soviet standard of living compare to our own?

Individual Research

A student can update the chart for a current comparison of prices to see if significant changes have occurred since 1965.

---

*Recommended for Students Achieving Below Grade Level

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Individual Research

A student can update the chart for a current comparison of prices to see if significant changes have occurred since 1965.

---

*Recommended for Students Achieving Below Grade Level

THEME VI: COMPARATIVE ECONOMIC SYSTEMS

Selected Bibliography - For High School Students

N = Non-Fiction

B - Bibliography

Class	Author	Title	Publisher	Date
B	Alexander, Albert	Karl Marx: Father of Modern Socialism	Watts	1969
N	Caldwell, John	Communism in Our World	Day	1963
N	Coleman, John	Comparative Economic Systems	Holt,Rinehart	1968
N	Lovenstein, Meno	Capitalism, Communism and Socialism	Scott, Foresman	1962
N	Schwartz, Harry	Soviet Economy Since Stalin	Lippincott	1965
N	Wilcox and Weatherford,et.al.	Economies of the World Today	Harcourt	1966

Selected Bibliography - For Teachers

Campbell, Robert	Soviet Economic Power	Houghton Mifflin	1966
Ebenstein, William	Today's Isms: Communism, Fascism, Socialism, Capitalism	Prentice-Hall	1967
Halm, George	Economic Systems: A Comparative Analysis	Holt	1968
Oxenfeldt, Alfred	Economic Systems in Action	Holt	1968
Nove, Alec	Soviet Economy	Praeger	1965
Solo, Robert	Economic Organizations and Social Systems	Bobbs-Merrill	1967

Audio-Visual Materials

Films

BAVI	Leisure Time In Russia	International Film Foundation
55970.12	Russian Life Today: Inside the Soviet Union	
BAVI	The Russian Consumer (Rubles and Kopecks)	International Film Foundation
BAVI	The Russian Peasant (The Story of Russian Agriculture)	International Film Foundation
560.083	The Soviet Challenge: Industrial Revolution in Russia	Encyclopedia Britannica Films
560.09	The Soviet Union: Land and People	
	USSR-Family of Tashkent (life on a Collective Farm)	Universal Education Films
	USSR-Pioneer Family of Bratsk	Universal Education Films
	USSR-Six Workers of Moscow	Universal Education Films
BAVI	Women of Russia	International Film Foundation

Filmstrips

55980.11	City Life in the Soviet Union	Jam Handy
55980.14	Farming and Rural Life in the Soviet Union	Jam Handy
	Economic Life in the Soviet Union	Jam Handy
	Soviet Union Today	Guidance Associates

Simulation Games

Kolkhoz	ABT Associates
Comparative Economic Systems	Holt, Rinehart & Winston

THEME VII: INTERNATIONAL ECONOMIC PROBLEMS

Introduction

Along with the development of closer political ties on the international scene has been the growth of greater economic dependence. The materials in this theme are designed to provide the student with an understanding of the process of international trade and an understanding of some of the problems it has raised. Students are also given the opportunity to project the United States into international economic development and explore our role on that level.

In this theme the learning activities are centered around two significant questions:

I. Why is international trade important to our economy and to you?

II. Why is the United States concerned with the problems of developing nations?

I. WHY IS INTERNATIONAL TRADE IMPORTANT TO OUR ECONOMY AND TO YOU?

Emphases: International trade is important to all of us.

International trade is important for the growth and development of the United States economy.

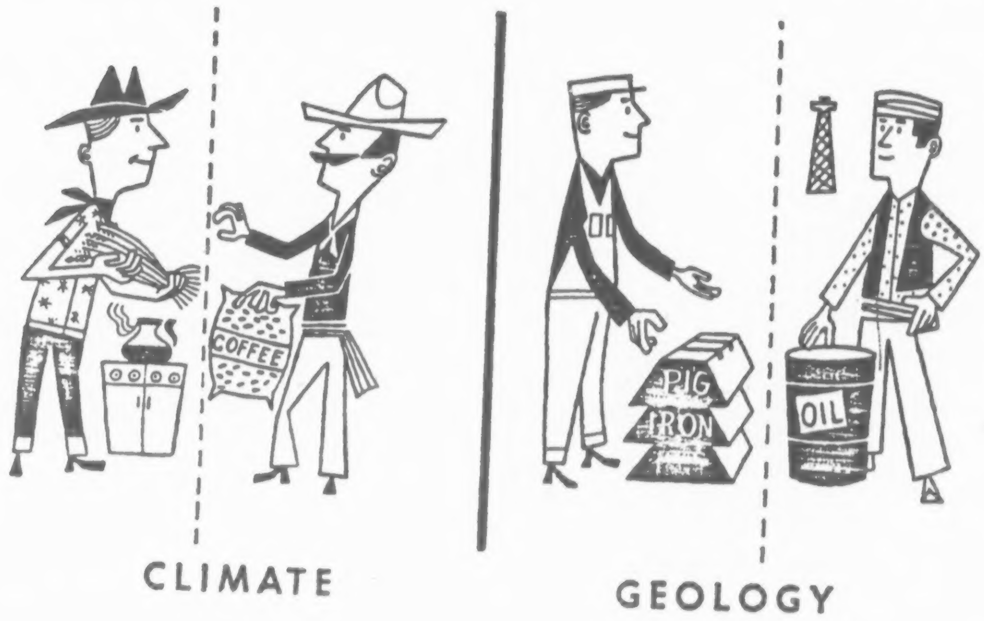
The United States trade policy has tended toward freer trade since World War II.

Our balance of payments problem has created a policy problem.

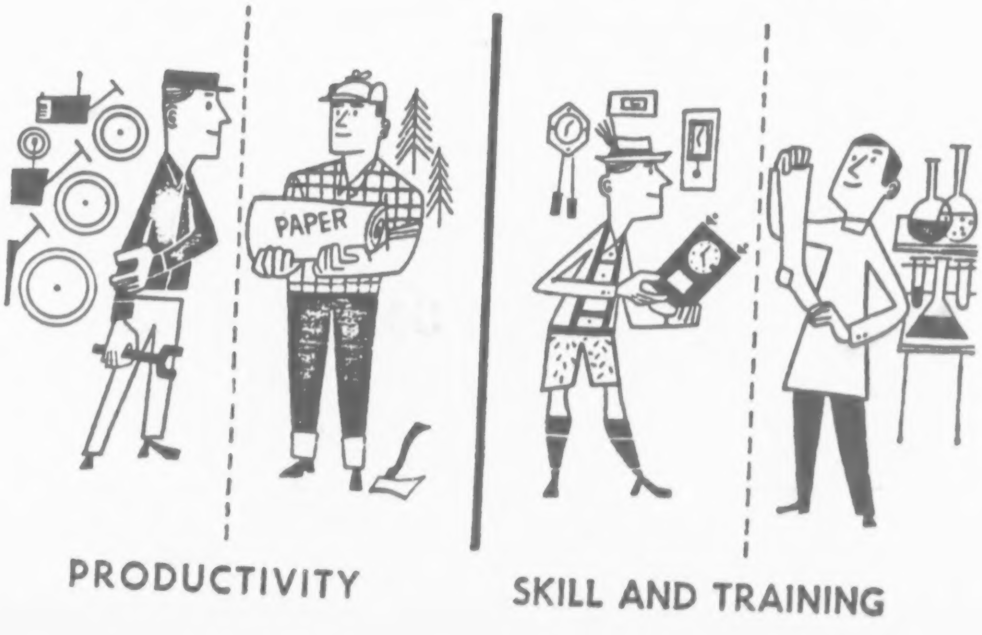
*A. Using and interpreting cartoons to understand why international trade has developed.

WHY INTERNATIONAL TRADE

I Because of difference in natural resources

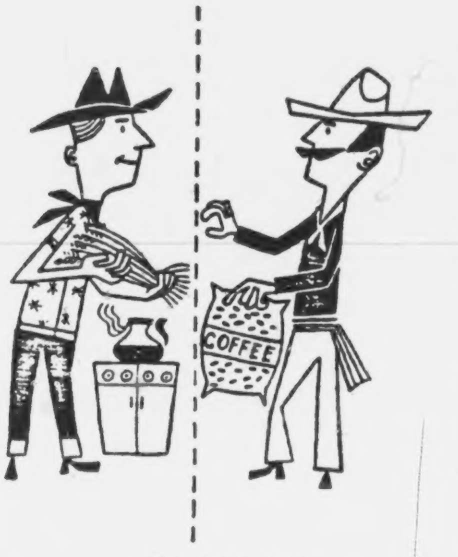

COFFEE
PIG IRON
OIL
CLIMATE
GEOLOGY

II Because of differences in productivity

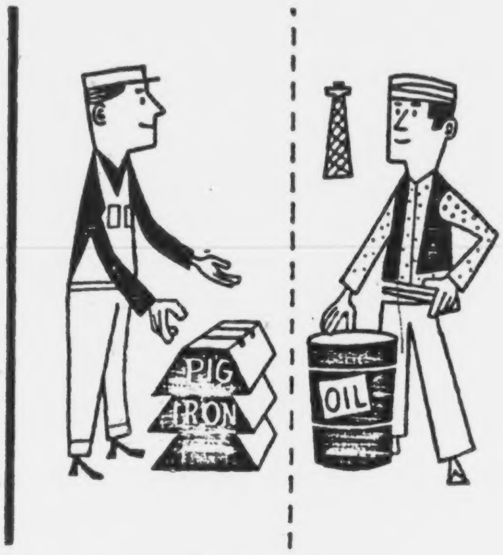

PAPER
PRODUCTIVITY
SKILL AND TRAINING

WHY INTERNATIONAL TRADE

I *Because of difference in natural resources*

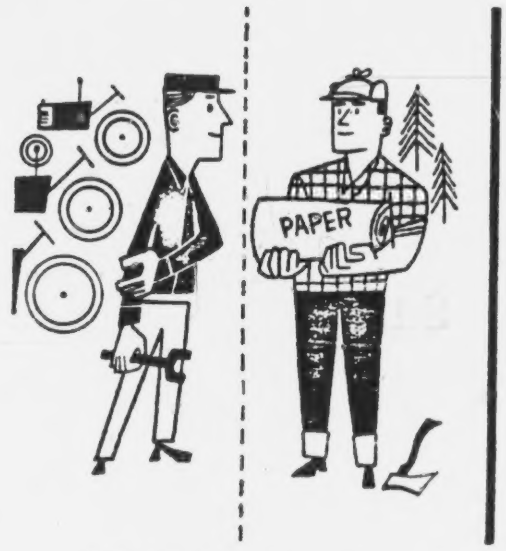


CLIMATE

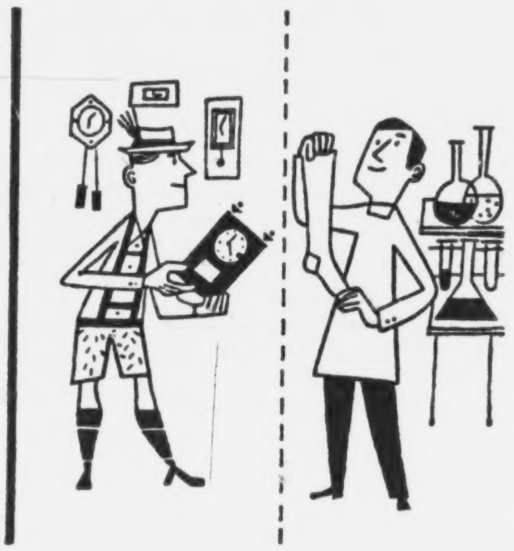


GEOLOGY

II *Because of differences in productivity*



PRODUCTIVITY



SKILL AND TRAINING

Questions for Inquiry and Discovery

1. How does a country's geography affect what it produces?

2. What is meant by productivity? How does it affect a nation's ability to produce for export?

3. How might differences in skill and training lead to trade?

4. How do the producers in each of the trading nations benefit from trade?

5. Why do the consumers of each nation gain from trade?

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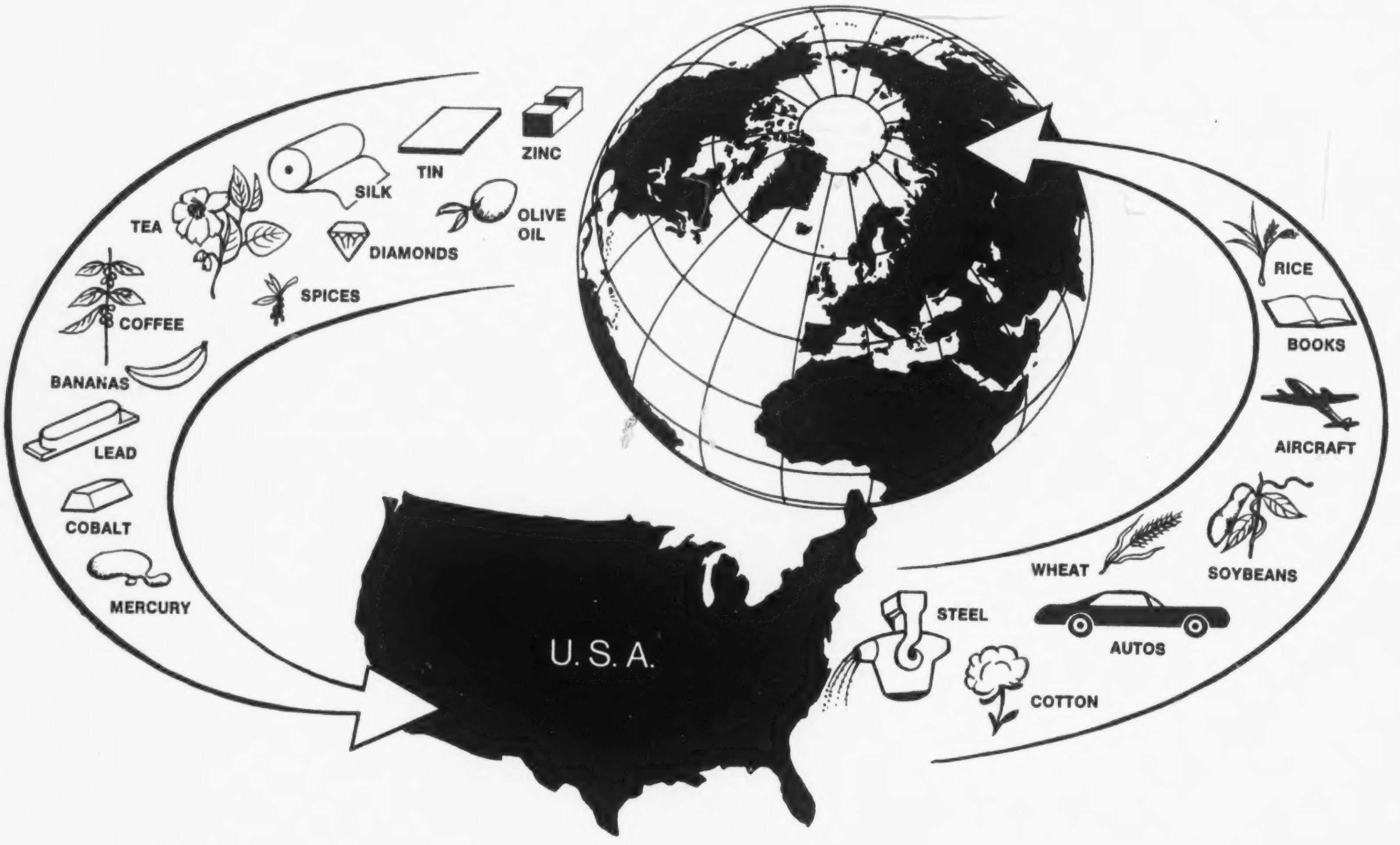
*Recommended for Students Achieving Below Grade Level.

Follow-up Activities

*1. Students can interpret the following pictograph to see the variety of foods we use as a result of trade.


TEA
SILK
TIN
ZINC
OLIVE OIL
DIAMONDS
SPICES
COFFEE
BANANAS
LEAD
COBALT
MERCURY
U.S.A.
RICE
BOOKS
AIRCRAFT
SOYBEANS
WHEAT
STEEL
AUTOS
COTTON

a. What titles would you give this cartoon?

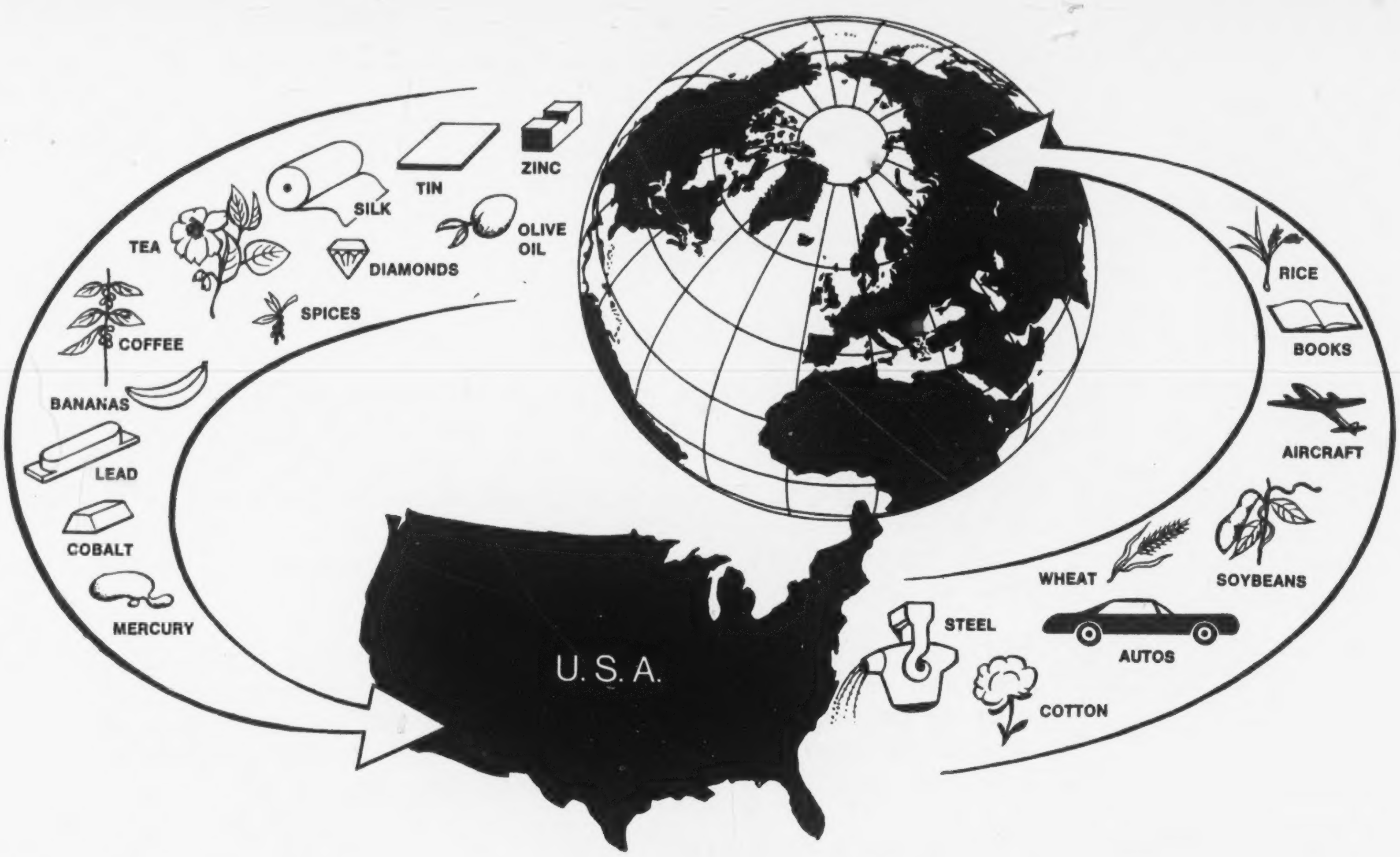
b. How does this cartoon indicate that trade benefits the United States?

c. How does this cartoon indicate that trade is a "two-way street?"

2. The teacher can set up a class bulletin board project where the students can indicate the products they use daily which are dependent on world trade. Pictures can be related to a map of the world and to the specific countries of origin.

*3. The teacher can show the filmstrip International Trade (Current Affairs Films, May 1969), Frames 1-20, and ask the following questions:

Frame 5 - How do developing nations benefit from trade?


ZINC
TIN
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DIAMONDS
SPICES
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Frame 5 - How do developing nations benefit from trade?

Frame 15 - Why do industrial nations depend on trade?

Frame 17 - How has foreign trade helped the United States with its agricultural surplus problem?

Teachers can use these frames to develop a lesson on international trade. The pictograph in activity #1 can be used as a summary.

---

*Recommended for Students Achieving Below Grade Level.

4. Interpreting a chart.

Total Employment & Employment Attributable to Exports, Selected Industries, 1960 (in thousands)

	Total Employment	Employment Attributable to Exports
Farm	7,145.0	941.4
Nonfarm	45,720.0	2,140.3
Trade	9,786.0	198.6
Transportation	2,565.0	213.5
All other	16,005.0	140.9

a. Who benefits from the production of exports?

b. The United States normally exports from one-third to one-half of its cotton crop. If the Indian government decided that Indians who formerly bought cotton from American fields must now buy cotton only from Egypt, who might be affected by the decision? On a short-term basis, who would benefit? Who would lose? Would the long-term effects necessarily be the same as the short-term?

c. If Congress passed a bill decreeing that in the future all American production would be sold only on the American market, what do you think the reaction would be of the president of General Motors? The president of the Automobile Workers of America? The farmer who grows tobacco? Why?

****Questions for Individual Research**

1. What percentage of G.N.P. represented American goods and services produced for export in 1969?

   How much is that in terms of dollars?

2. How do these figures affect jobs for Americans?

3. What effect might the importing of goods and services have on our economy? On jobs?

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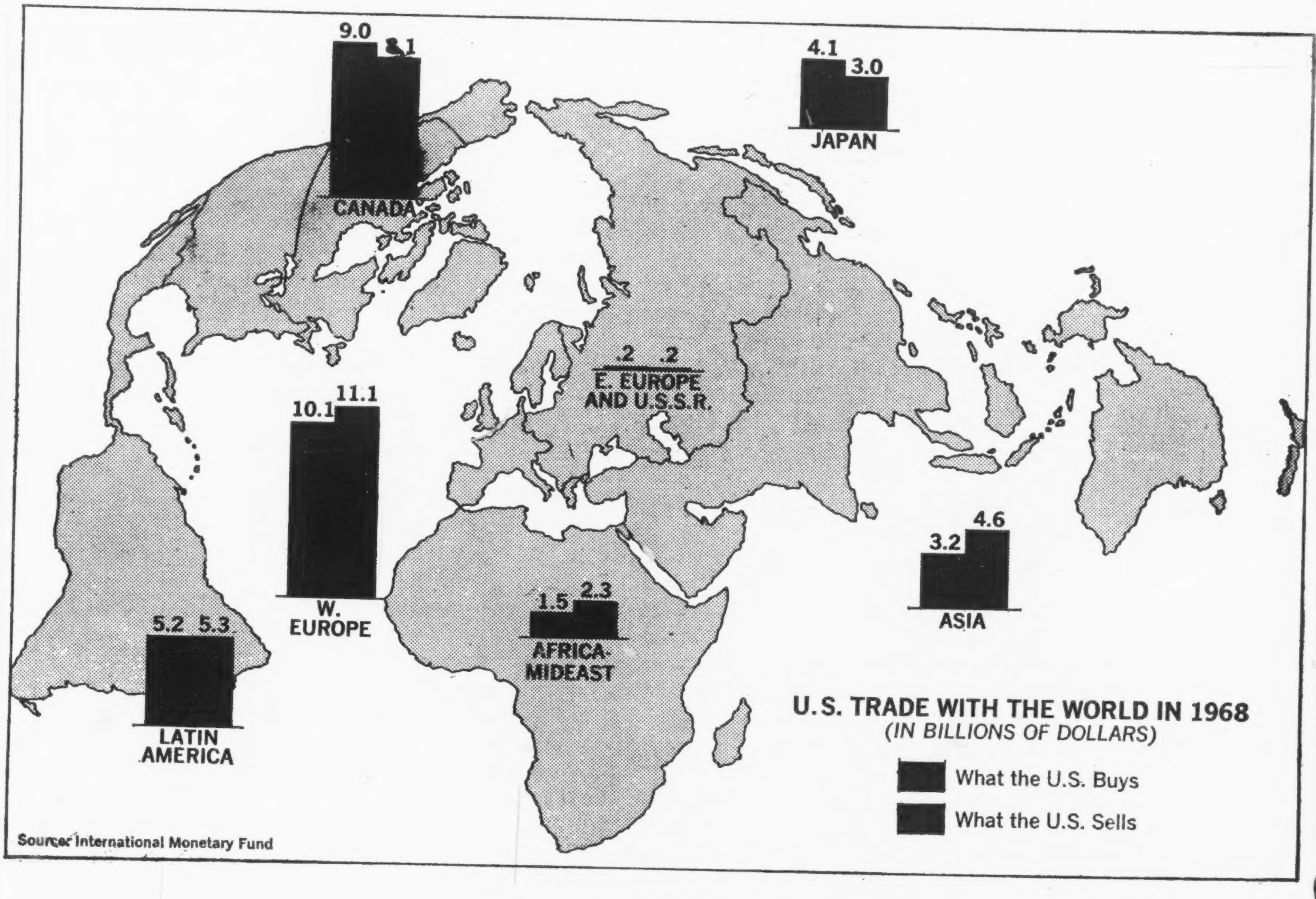
**Recommended for Students Achieving Above Grade Level.

*5. Map study

Trade


9.0
8.1
CANADA
4.1
3.0
JAPAN
.2 .2
E. EUROPE AND U.S.S.R.
10.1
11.1
W. EUROPE
5.2 5.3
LATIN AMERICA
1.5 2.3
AFRICA-MIDEAST
3.2
4.6
ASIA
What the U.S. Buys
What the U.S. Sells

U.S. TRADE WITH THE WORLD IN 1968
(IN BILLIONS OF DOLLARS)

Source: International Monetary Fund

(Source: New York Times)

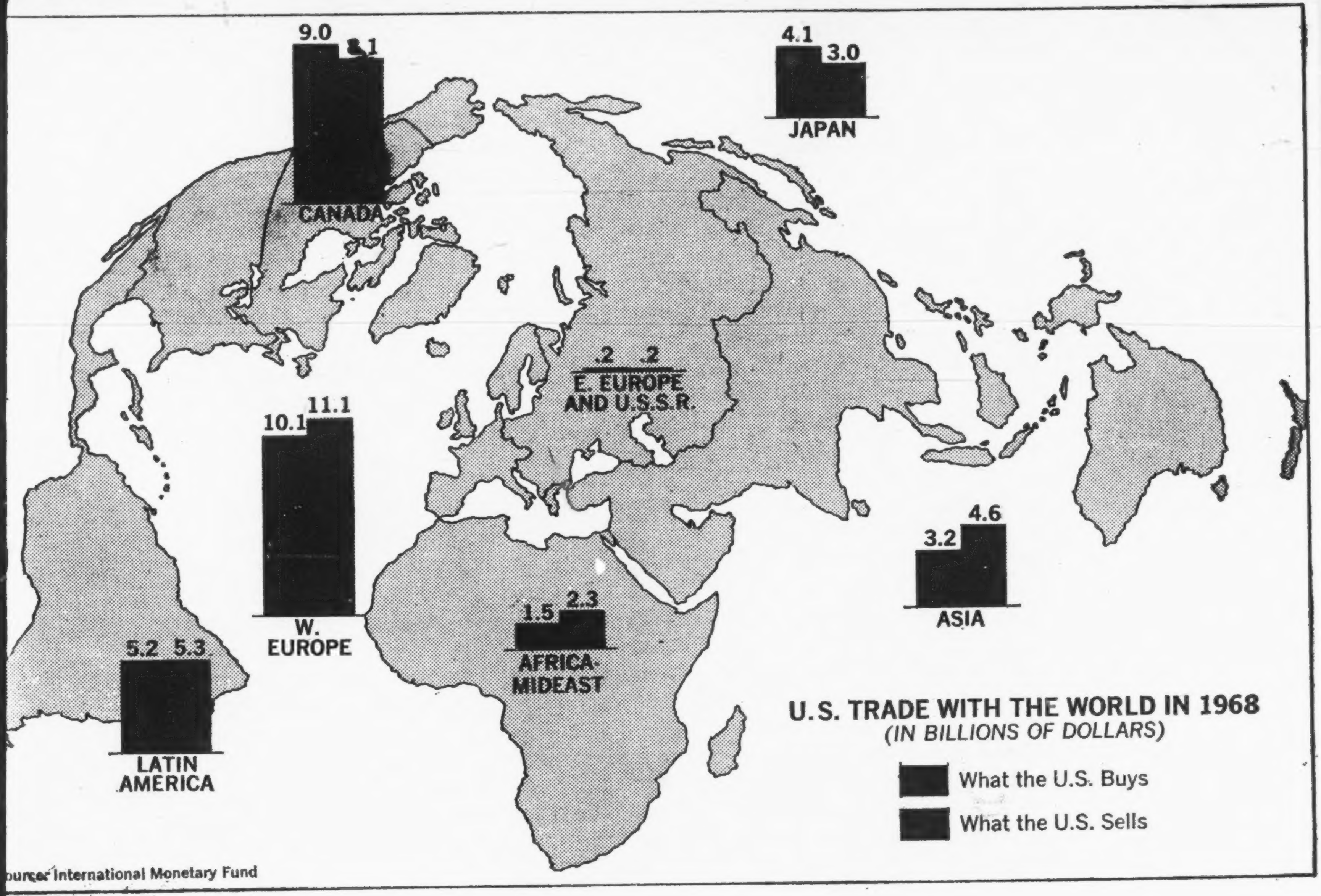
a. With which areas of the world does the United States carry on most of its trade? Least trade?

b. What factors might be responsible for the small amount of trade between the United States and Eastern Europe and Russia? Africa? Asia?

c. Why is the volume of trade so great with Western Europe and Canada?

d. How might economic growth in Asia and Africa aid the United States?

rade


9.0
8.1
CANADA
4.1
3.0
JAPAN
.2
.2
E. EUROPE AND U.S.S.R.
10.1
11.1
W. EUROPE
3.2
4.6
ASIA
1.5
2.3
AFRICA-MIDEAST
5.2
5.3
LATIN AMERICA
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---

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B. Using an excerpt from a Presidential message to discover why people favor freer trade.

How International Trade Helps Us

In arguing for the Trade Expansion Act of 1962, President John F. Kennedy eloquently explained how lower tariffs and freer international trade would help the United States.

The American consumer benefits most of all from an increase in foreign trade. Imports give him a wider choice of products at competitive prices. They introduce new ideas and new tastes, which often lead to new demands for American production.

Increased imports stimulate our own efforts to increase efficiency, and supplement antitrust and other efforts to assure competition. Many industries of importance to the American consumer and economy are dependent upon imports for raw materials and other supplies. Thus American-made goods can also be made much less expensively for the American consumers if we lower the tariff on the materials that are necessary to their production...

Moreover, we must reduce our own tariffs if we hope to reduce tariffs abroad and thereby increase our exports and export surplus. There are many more American jobs dependent upon exports than could possibly be adversely affected by increased imports. And those export industries are our strongest, most efficient, highest paying growth industries.

It is obvious, therefore, that the warnings against increased imports based upon the lower level of wages paid in other countries are not telling the whole story. For this fear is refuted by the fact that American industry in general, and America's highest paid industries in particular, export more goods to other markets than any other nation; sell far more abroad to other countries than they sell to us; and command the vast preponderance of our own market here in the United States. There are three reasons for this:

1. The skill and efficiency of American workers, with the help of our machinery and technology, can produce more units per manhour than any other workers in the world, thus making the competitive cost of our labor for many products far less than it is in countries with lower wage rates. For example, while a United States coal miner is paid 8 times as much per hour as the Japanese miner, he produces 14 times as much coal--our real cost per ton of coal is thus far smaller--and we sell the Japanese tens of millions of dollars worth of coal each year.

2. Our best industries also possess other advantages--the adequacy of low-cost raw materials or electrical power, for example. Neither wages nor total labor costs is an adequate standard of comparison if used alone.

In arguing for the Trade Expansion Act of 1962, President John F. Kennedy eloquently explained how lower tariffs and freer international trade would help the United States.

The American consumer benefits most of all from an increase in foreign trade. Imports give him a wider choice of products at competitive prices. They introduce new ideas and new tastes, which often lead to new demands for American production.

Increased imports stimulate our own efforts to increase efficiency, and supplement antitrust and other efforts to assure competition. Many industries of importance to the American consumer and economy are dependent upon imports for raw materials and other supplies. Thus American-made goods can also be made much less expensively for the American consumers if we lower the tariff on the materials that are necessary to their production...

Moreover, we must reduce our own tariffs if we hope to reduce tariffs abroad and thereby increase our exports and export surplus. There are many more American jobs dependent upon exports than could possibly be adversely affected by increased imports. And those export industries are our strongest, most efficient, highest paying growth industries.

It is obvious, therefore, that the warnings against increased imports based upon the lower level of wages paid in other countries are not telling the whole story. For this fear is refuted by the fact that American industry in general, and America's highest paid industries in particular, export more goods to other markets than any other nation; sell far more abroad to other countries than they sell to us; and command the vast preponderance of our own market here in the United States. There are three reasons for this:

1. The skill and efficiency of American workers, with the help of our machinery and technology, can produce more units per manhour than any other workers in the world, thus making the competitive cost of our labor for many products far less than it is in countries with lower wage rates. For example, while a United States coal miner is paid 8 times as much per hour as the Japanese miner, he produces 14 times as much coal--our real cost per ton of coal is thus far smaller--and we sell the Japanese tens of millions of dollars worth of coal each year.

2. Our best industries also possess other advantages--the adequacy of low-cost raw materials or electrical power, for example. Neither wages nor total labor costs is an adequate standard of comparison if used alone.

3. American products can frequently compete successfully even where foreign prices are somewhat lower by virtue of their superior quality, style, packaging, servicing, or assurance of delivery.

Given this strength, accompanied by increasing productivity and wages in the rest of the world, there is less need to be concerned over the level of wages in the low-wage countries. These levels, moreover, are already on the rise, and we would hope, will continue to narrow the current wage gap, encouraged by appropriate consultations on an international basis.

This philosophy of the free market--the wider economic choice for men and nations--is as old as freedom itself. It is not a partisan philosophy. For many years our trade legislation has enjoyed bipartisan backing from those members of both parties who recognized how essential trade is to our basic security abroad and our economic health at home. This is even more true today. The Trade Expansion Act of 1962 is designed as the expression of a nation, not of any single faction or section. It is in that spirit that I recommend it to the Congress for prompt...action.

(From John F. Kennedy, Message to Congress, January 25, 1962. Reprinted in Trade Expansion Act of 1962: Hearings before the Committee on Ways and Means on H. R. 9900, 87th Cong., 2d Session, Government Printing Office, Washington, D. C. 1962, part 1, pp. 1-9.)

Questions for Inquiry and Discovery

1. How does the consumer benefit from increased foreign trade?

2. How does trade affect American business enterprise? Labor?

3. How does President Kennedy answer the critics of freer trade?

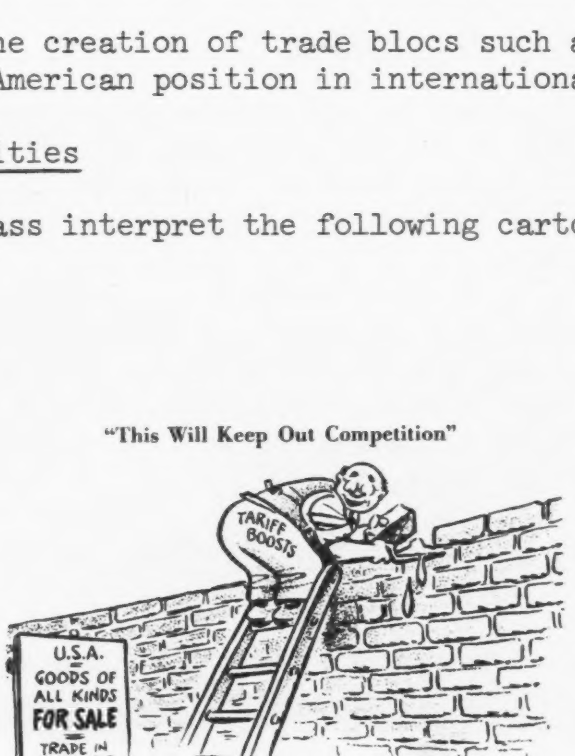
Questions for Discussion

1. What objections to freer trade do you feel President Kennedy left unanswered? Why do you see this as a problem?

2. How might the creation of trade blocs such as the Common Market affect the American position in international trade?

Follow-up Activities

*1. Have the class interpret the following cartoon.



"This Will Keep Out Competition"

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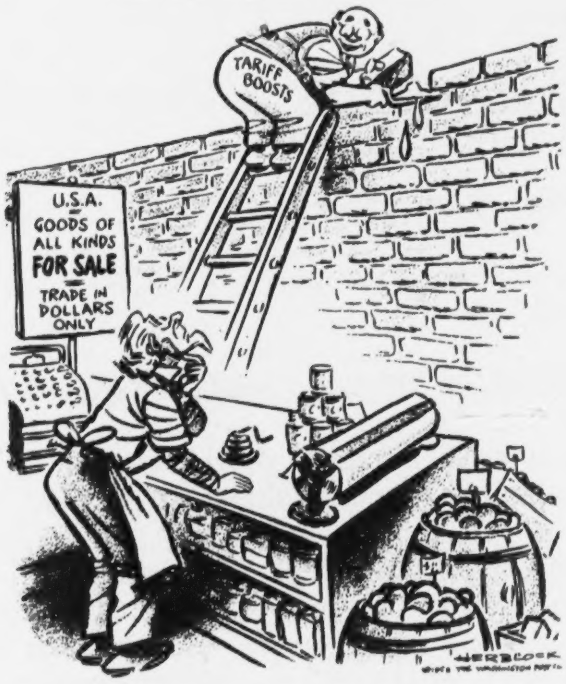

The Herblock Book (Beacon Press, 1952)

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*Recommended for Students Achieving Below Grade Level.

a. What titles would you substitute for this cartoon? Why?

b. How might the "tariff wall" affect sales of American foods at home? Abroad?

c. Why does Uncle Sam seem worried by what is happening?

**2. Independent Study - A student can prepare a study of the United States trade policies including protective tariffs and reciprocal tariffs to show how they affected world trade and the American economy.

*3. Show the filmstrip International Trade - World's Lifeline (Current Affairs Films), to develop an understanding of Common Market.

Frame 22 - What is GATT? How did it pave the way for the formation of the European Common Market?

Frame 24 - How has the Common Market helped the member nations? What has its impact been on world trade?

Frame 25 - What problems have the Common Market nations overcome? What problems still remain?

4. Teachers can use the fictitious, satirical letter below to develop the idea that many extreme arguments are used to pressure Congress for protective tariffs. This petition can be compared to a real petition by candlemakers in 1951.

PETITION OF THE CANDLEMAKERS--1845

To the Honorable Members of the Chamber of Deputies:

We are subjected to the intolerable competition of a foreign rival, who enjoys, it would seem, such superior facilities for the production of light, that he is enabled to inundate our national market at so exceedingly reduced a price...This rival is no other than the sun.

Our petition is...to pass a law...shutting up of all windows, openings, and fissures through which the light of the sun is used to penetrate into our dwellings, to the prejudice of the profitable manufactures which we...have been enabled to bestow upon the country.

(From Economic Sophisms. Frederic Bastiat. G.P. Putnam's Sons, New York, 1922, pp. 60-65.)

a. What arguments for protection are in this satire?

b. How might the protectionists argue in response to this satire?

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PETITION OF THE CANDLEMAKERS--1951

Chairman, Senate Finance Committee,
United States Senate, Washington, D.C.

SIR: This brief is filed in behalf of the candle manufacturers in the United States in protest against an extension of the Trade Agreement Act of 1934 as amended by the House of Representatives, H.R. 1612. In spite of our brief presented in opposition to tariff cuts (which are a matter of record and available to your committee) we have been given the maximum reduction possible up to this point.

Rather than take the time of the committee by repetition of the entire argument we are listing the facts in the hope that this time we will reach some one who has the understanding to interpret these facts intelligently and the power to act in the light of those facts.

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*Recommended for Students Achieving Below Grade Level.
**Recommended for Students Achieving Above Grade Level.

1. An industry stemming from Colonial times.

2. A product required in national defense to such an extent as to utilize the full capacity of the industry.

3. High essentiality of labor and materials under war conditions.

4. An overcapacity of more than five to one.

5. Increased labor costs of 25 percent from 1946-50 with labor rates well above those prevailing in competitive countries.

6. A decline in sales of 17.45 percent since 1946.

7. A 63 percent increase in number of manufacturers since 1933.

8. With plants operating one shift, present production well above demand.

9. Full impacts of currency devaluations, abnormal conditions, pending legislation in countries not yet felt in our markets.

The record of imports for last year has shown a steady increase through the first 11 months from 12 countries, most of whom have not supplied candles to the United States for many years, if ever. These are the countries mentioned in our earlier briefs from whom we feared this type of low-cost-labor competition. As a result of current untenable conditions, one of the oldest manufacturers--representing a substantial percentage of the total candle business--had been forced to close and demolish its plant.

It is evident that the purposes of the act outlined in the preamble are not being fulfilled: "Overcoming domestic unemployment," "increasing purchasing power of the American public," "maintaining a better relationship among various branches of American agriculture, industry, mining and commerce."

Respectfully submitted.

The Candle Manufacturing Industry
by H.R. Farker

(From *Trade Agreements Extension Act of 1951*: Hearings Before the Committee on Finance, United States Senate, 82nd Congress, 1st Session, on H.R. 1612 (1951), pp. 149-150.)

a. In what ways are the arguments presented in 1951 similar to those of 1845? How do they differ?

b. Which argument do you feel is most convincing? Why?

c. If you were a Congressman, would you have given special protection to American candlemakers? Why?

d. What criteria would you use to decide whether or not a product should be given tariff protection?

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d. What criteria would you use to decide whether or not a product should be given tariff protection?

e. Are there remedies other than the tariff?

5. Students can report to the class how each of the following has furthered international trade:

   a. GATT
   b. International Monetary Fund
   c. International Trade Organization
   d. Trade Expansion Act, 1962

C. Using a Government publication to learn about our balance of payments problem.

Students can be given a copy of *Balance of Payments*, a free pamphlet available from the Federal Reserve Bank of Philadelphia. This pamphlet outlines the reasons for our favorable trade position and our unfavorable payments position.

Questions for Discussion

1. Why does the United States have an unfavorable balance of payments even though we enjoy a favorable balance of trade?
2. Why does the persistent deficit in payments worry the United States Government?
3. What are some of the ways that have been suggested to eliminate this deficit? Which do you favor? Which do you oppose? Why?
4. Why does an attack on the problem pose a dilemma for our Government? How would you deal with this dilemma?

Follow-up Activities

1. Students can be given the following exercise to sharpen their understanding of our payments problem.

    a) Take a sheet of paper and make two columns. Label one column "Receipts from Foreigners." Label the other column "Payments to Foreigners." Then enter the amount of each of these following transactions in the proper column.

        (1) An American spends $600 on a vacation in France.
        (2) A Frenchman buys a $3,000 American automobile.
        (3) An American buys $1,000 worth of stock in a Japanese radio factory.
        (4) An American firm builds a $9,000,000 automobile factory in Germany.
        (5) A Swiss banking syndicate buys $10,000,000 worth of General Motors' stock.
        (6) General Motors pays $10,000 in dividends to foreign owners of its stock.
        (7) An American restaurant buys $5,000 worth of French wine.
        (8) A Greek steel mill buys $100,000 worth of machinery from an American factory.
        (9) An American sends his mother in Italy $300 for a Christmas gift.
        (10) The United States government pays $1,600,000 to its troops stationed in West Berlin.
        (11) The West German government pays a New York hotel $20,000 to house its United Nations delegation.
        (12) An American department store buys $500,000 worth of

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      (12) An American department store buys $500,000 worth of Japanese radios.
      (13) A Japanese radio manufacturer pays a dividend of $100 to an American stockholder.

   b) As a result of the preceding transactions, does the United States have a surplus or a deficit in its balance of payments? What is the size of this surplus or deficit? How might this surplus or deficit be financed to bring the United States balance of payments into balance?

2. Decide National Policy. The U.S. in recent years has experienced a balance of payments problem that has resulted in foreign banks trading in their dollar holdings for our gold reserves. Which of the following options might be considered in order to reverse this unfavorable trend? Which would be wisest? Which would be most acceptable politically?

   a) Devalue the dollar.

   b) Revalue the dollar.

   c) Make the dollar convertible.

   d) Make the dollar inconvertible.

   e) Adopt inflationary policies.

   f) Adopt deflationary policies.

   g) Encourage imports; discourage exports.

   h) Encourage exports; discourage imports.

   i) Encourage Americans to invest abroad.

   j) Discourage Americans from investing abroad.

   k) Encourage foreigners to invest in the United States.

   l) Discourage foreigners from investing in the U.S.

   m) Limit the amount of dollars American citizens can spend abroad or exchange for other currencies.

**3. Decide International Policy. Following are some suggestions that have been made recently for curing the ills of the international monetary system:

   a) Keep gold as the standard value, but increase the monetary value of current reserves by increasing the price of gold, say from $35 an ounce to $70 an ounce.

   b) Eliminate gold entirely as an international standard.

   c) Establish a system of special drawing rights.

   d) Establish an international currency that would be backed by the real wealth and production of nations.

   Which of these proposals would you support at this time? What might the consequences be?

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**4. Individual Research. Examine the causes and methods of the French devaluation of the franc. How is the devaluation likely to affect the cost of imports to the French people? How is it likely to affect the cost of goods exported from France? How will French imports affect the U.S. balance of payments?

5. In the approaches to monetary policy several values have been stated or implied:

- a) Stability in the value of national currencies
- b) Smooth flow of international trade
- c) Full employment

**Recommended for Students Achieving Above Grade Level.

e) National pride

f) Tradition

g) Protection of investments

If you were responsible for recommending national economic policy, to which of these values would you give the highest priority? To which would you give the lowest? Which are irrelevant? Is it easy to consider these values separately?

II. WHY IS THE UNITED STATES CONCERNED WITH THE PROBLEMS OF DEVELOPING NATIONS?

Emphases: Underdevelopment in many nations is due to a combination of social, economic, religious and political factors.

Foreign aid is needed to help many nations establish programs for growth.

A. Using an economics text to learn about the reasons for underdevelopment.

Why Nations Are Poor

Let me list the causes to which, depending on ideology, personal preference, convenience, and even pure accident, we now attribute the poverty of (the underdeveloped) nations . . . .

1. The people are poor because they prefer it that way .... This is persuasive. Few Americans have looked at an Asian or African country without reflecting (and commenting) on the favorable effect for a little American ambition would have .... Yet there is scarcely a country in the world where people do not want economic improvement, where, indeed, it is not a political imperative ....

2. The country is naturally poor. This seems the obvious answer where the soil is sparse and unwatered, the forest thin, and the subsoil barren .... But this is an explanation which badly explains the wealth of Switzerland or the comparative wealth of Israel, both states that are poor in natural resources. It leads one to wonder why West Virginians, who live in a state phenomenally rich in natural resources, should have incomes far below those of an arid and barren state such as Wyoming.

3. The country .... has been kept in a state of colonial oppression. Over great parts of the world, this is the most evocative of explanations. The British, French, and Dutch were in business not for their subject peoples but for themselves. The people still pay for these centuries of indifference, exploitation, and neglect. Yet, again, there are obvious difficulties. In many parts of the world - Latin America comes immediately to mind - colonialism is far in the past, but poverty continues. And elsewhere - in Australia, Canada, the United States - colonial rule did not exclude a considerable measure of contemporary prosperity ....

4. Poverty is the consequence of class exploitation .... Few poor countries are without a minority of exceedingly rich. And it is difficult to understand why an Andean or Middle Eastern peasant should seek to enhance his income by irrigation, improved seed, or acceptable livestock when he knows that anything in excess of subsistence will be appropriated by the landlord, tax collector, moneylender, or merchant. Yet the world has much poverty without evident exploiters. In India and Pakistan there are millions of small land-owning peasants who

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5. Poverty is caused by insufficient capital .... Low income allows of no saving. Without saving, there is nothing to invest. Without investment, there can be no economic advance, and so poverty is self-perpetuating. Yet in Iran, Iraq, and Saudi Arabia, as also in Venezuela, oil provides a rich source of revenue, and capital is not scarce. But the vast majority of the people remain exceedingly poor.

6. Overpopulation is the cause of poverty. In the typical village of India, as elsewhere in Asia, there is rarely enough work to go around. Fewer hands could and would do the same work if the population were smaller, each person would have a greater share. Yet in other countries everyone works at full capacity for the little he gets .... And, as a matter of practical observation, though poverty is often associated with dense population, it is also often associated with sparse population. The Amazon Basin is very sparsely populated and very poor. Southern Brazil is much more densely populated and much more prosperous.

7. Poverty is caused by incompetent economic policy ... Practical experience in the less developed lands certainly induces respect for well-considered economic policy. But it is evident that the foregoing explanations of poverty involve an awkward element of internal contradiction. Moreover, the most prominent fact about the very poor country is not that it has free enterprise industry or socialist industry but that it has no industry at all ....

8. Poverty is caused by ignorance. It is a plausible axiom that no literate population in the world is really poor and no illiterate population is otherwise. Yet here one encounters the question of how a poor and illiterate people goes about providing itself with a school system. Whence will come the resources? Poverty may well be a cause of ignorance. But surely it is also a result.

The list of commonly accepted causes of poverty is by no means complete. We regularly attribute some role to the slow rate of transfer of technological knowledge. People cling by preference to primitive and poverty-inducing methods by agriculture and industry because they have not been apprised of anything better or prefer it that way. We also attribute something to war, rapine, predacity, and civil disorder. The Fourth Crusade, Genghis Khan, and the brothers Pizarro showed that, in the hands of highly qualified practitioners, these can have an enduring effect on income. The communities which were the principal objects of their attention have been poor ever since.

One could go on. But the point is sufficiently clear. We have a great many causes of poverty; nearly all are in some measure convincing and all are partially unconvincing ....

(Adopted from Economic Development. John Kenneth Galbraith. Cambridge: Harvard University Press, 1964, pp. 15-19.)

Questions for Inquiry and Discovery

1. What are the major reasons for underdevelopment?

2. Which do you think would be the easiest to overcome? Which the most difficult?

3. Who is to blame for the existence of poverty around the world?

Questions for Discussion

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Questions for Discussion

1. How did colonial oppression contribute to the poverty of the people? How did colonial rule sometimes help to make a country richer?

2. Why is it possible for countries like Switzerland and Israel, poor in natural resources, to be comparatively wealthy?

3. If insufficient capital is not the cause of poverty in the Middle East and Venezuela, what factors might be important in these places?

4. Try to explain the fact that poverty accompanies overpopulation in India and underpopulation in northern Brazil.

Follow-up Activities

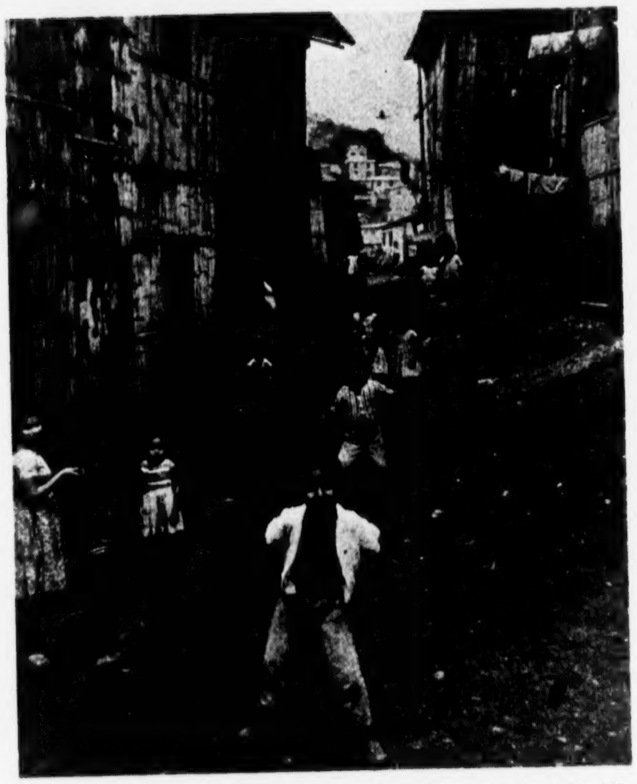
*1. Use the following pictures to get the class to understand the reasons for poverty and underdevelopment around the world.

United Nations

The conditions of life and work in underdeveloped countries make for a short life expectancy. These workers are digging a canal in central Java, Indonesia.

United Nations

The conditions of life and work in underdeveloped countries make for a short life expectancy. These workers are digging a canal in central Java, Indonesia.



Peace Corps Photo by Paul Conklin

The curse of the poor is their poverty. How can these children — living in the slums of Guayaquil, Ecuador — get out of the trap?

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*Recommended for Students Achieving Below Grade Level.

**2. Students can select one developing nation and assess that country for its productive resources:

a) Why has the country remained underdeveloped?

b) What problems face the country?

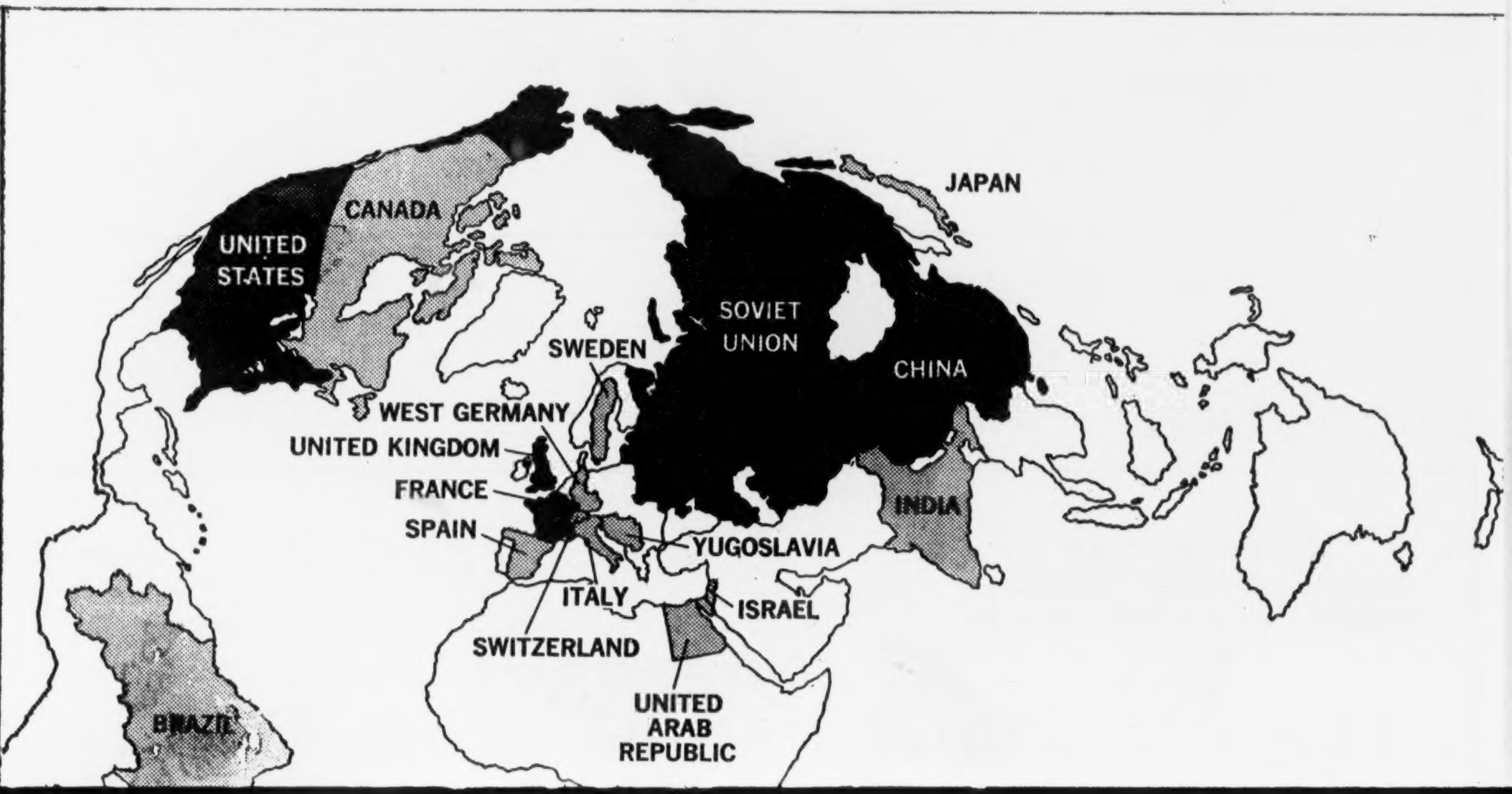
c) What is this country doing to overcome these problems?

d) How effective are these programs?

*3. The class can develop a bulletin board project about the problems and projects in developing nations. Students can bring in pictures, articles and cartoons depicting the above.

*4. Teachers can make transparencies of the following maps or reproduce them for class distribution, to develop the concept of underdevelopment using map reading and interpreting skills.

Nuclear Power


JAPAN
CANADA
UNITED STATES
SOVIET UNION
SWEDEN
CHINA
WEST GERMANY
UNITED KINGDOM
FRANCE
INDIA
SPAIN
YUGOSLAVIA
ITALY
ISRAEL
SWITZERLAND
UNITED ARAB REPUBLIC
BRAZIL

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c) What is this country doing to overcome these problems?

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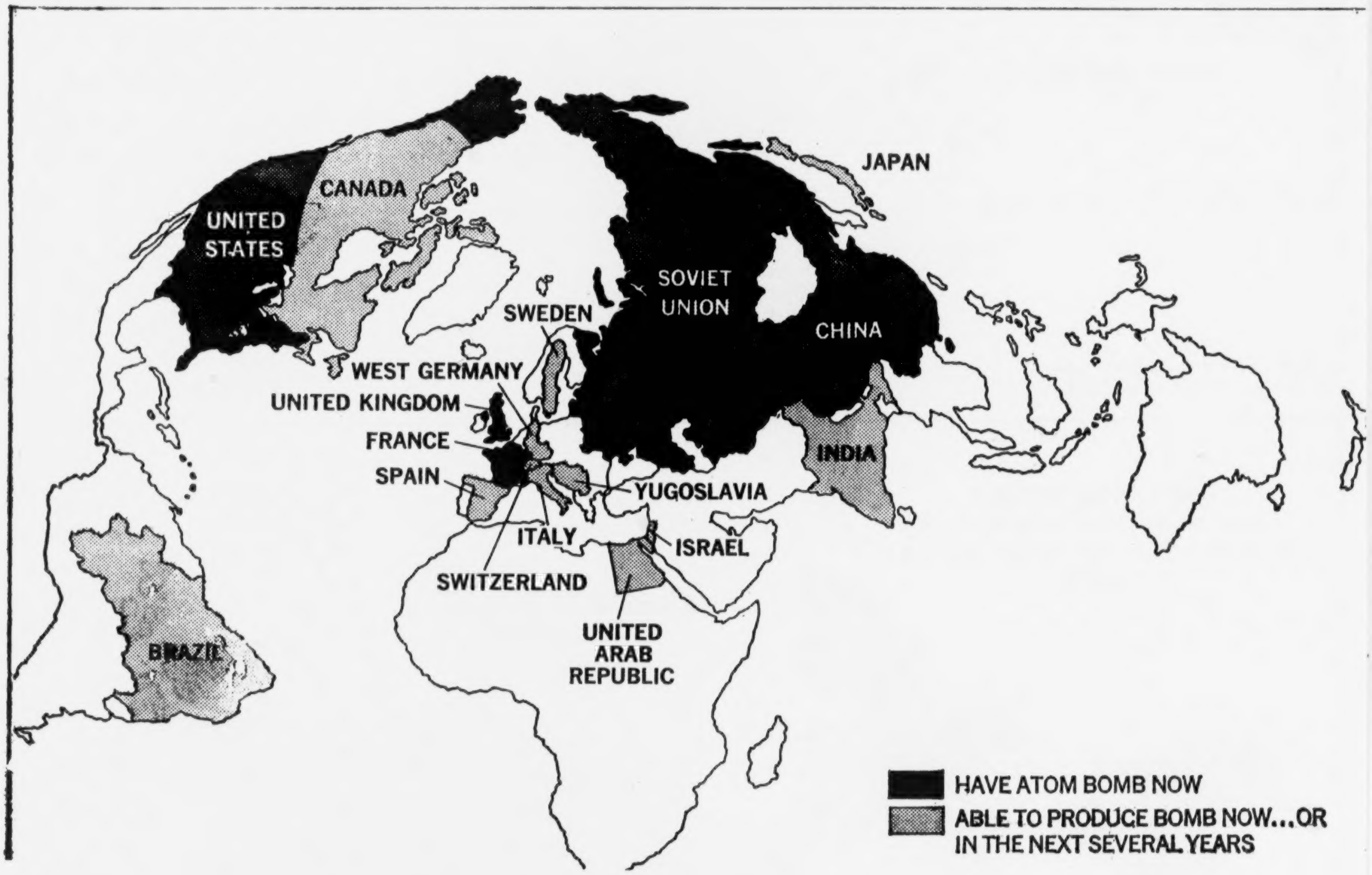
JAPAN
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CHINA
WEST GERMANY
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FRANCE
INDIA
SPAIN
YUGOSLAVIA
ITALY
ISRAEL
SWITZERLAND
BRAZIL
UNITED ARAB REPUBLIC
■ HAVE ATOM BOMB NOW
▨ ABLE TO PRODUCE BOMB NOW...OR IN THE NEXT SEVERAL YEARS

(Source: New York Times) 1969

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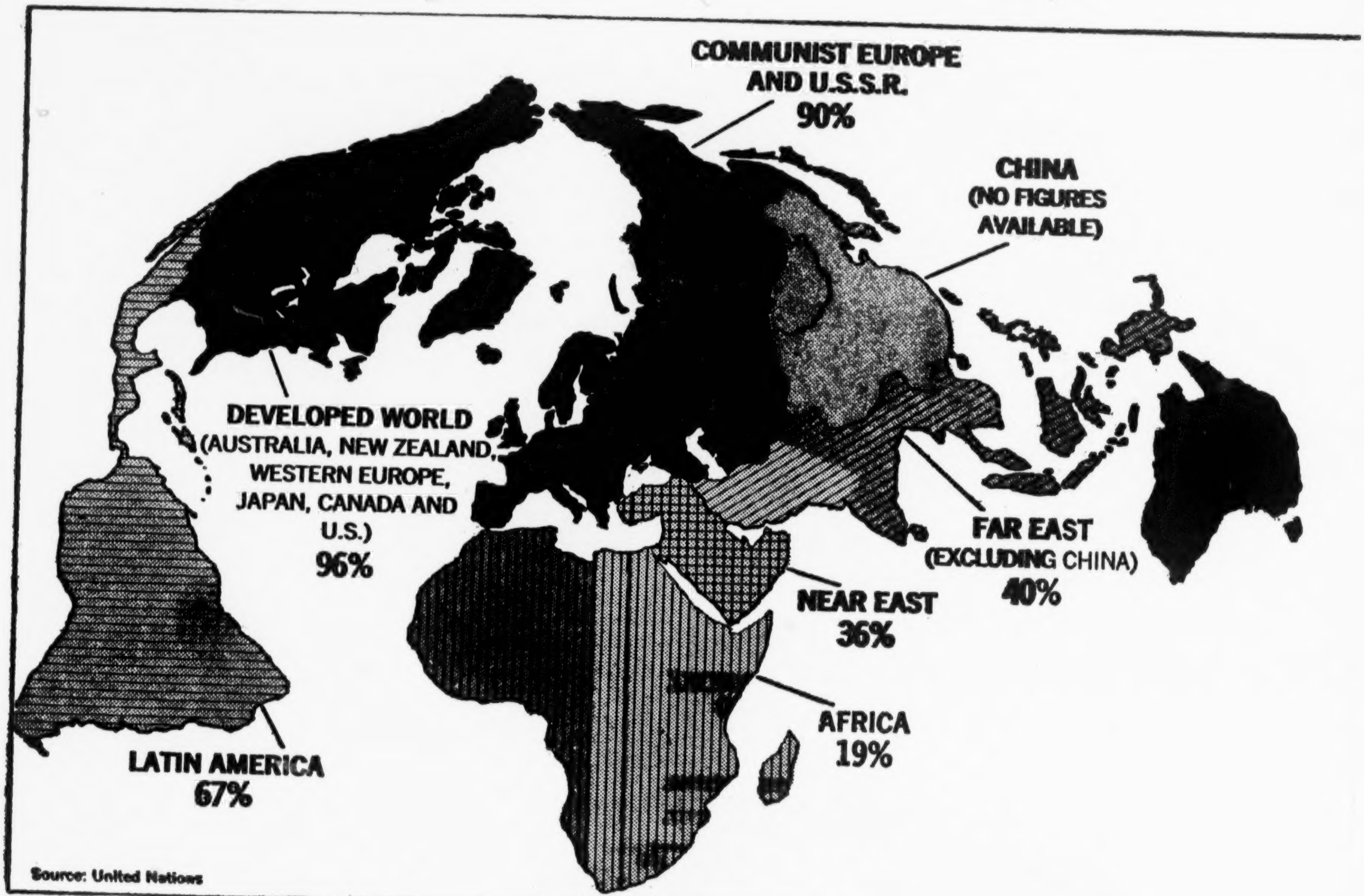
**Recommended for Students Achieving Above Grade Level.

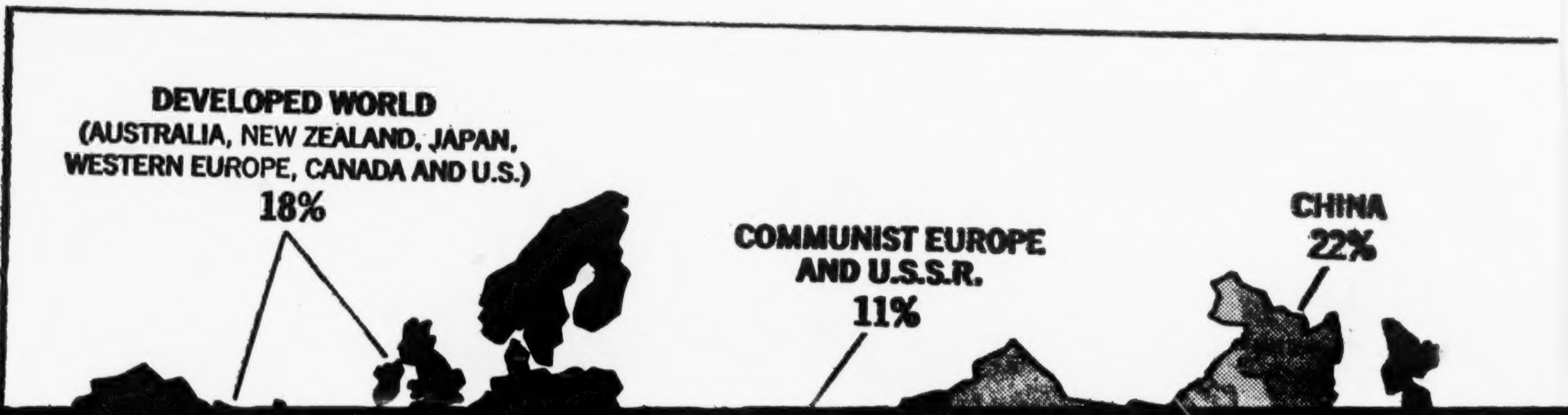
Literacy

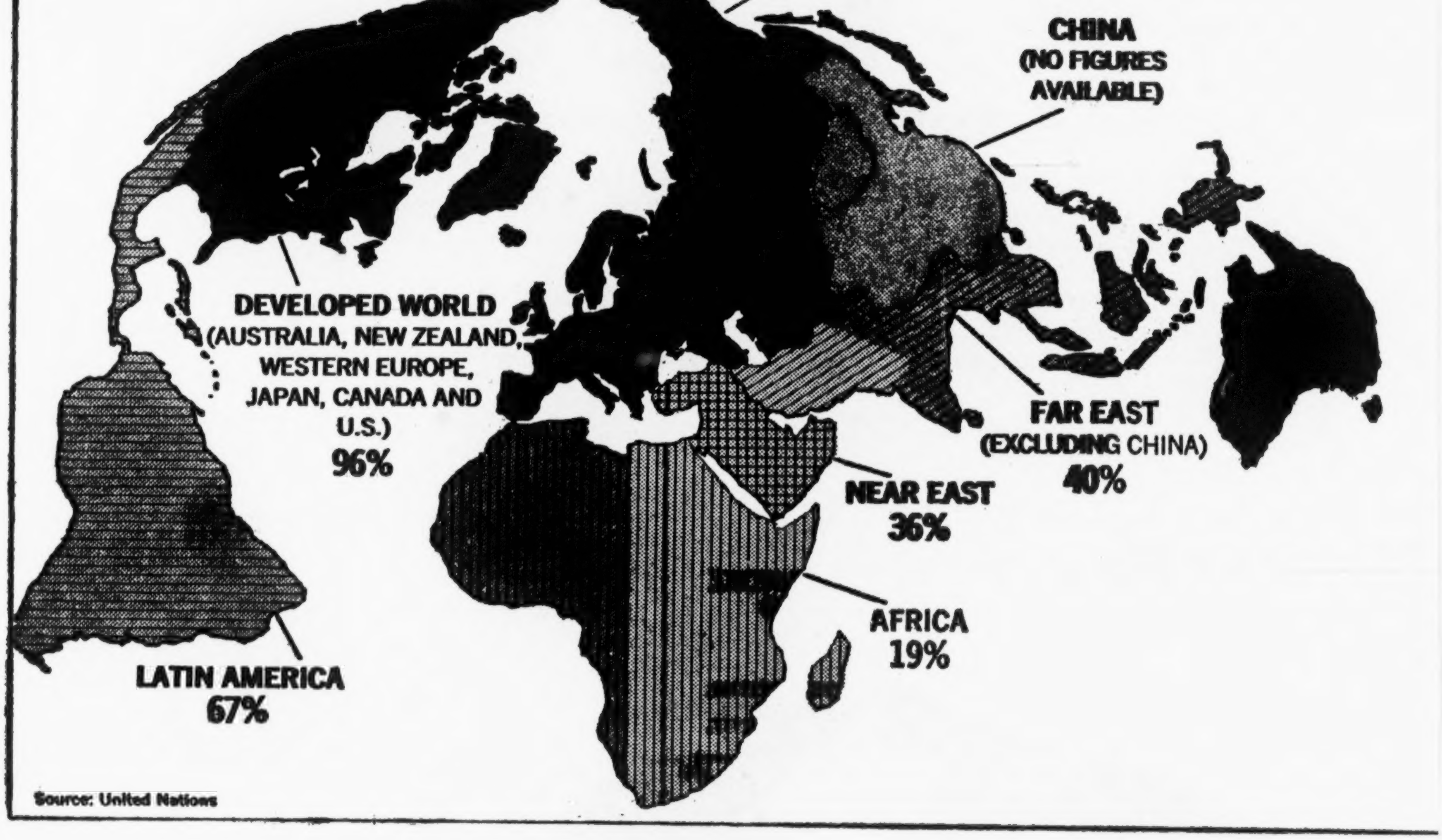

COMMUNIST EUROPE AND U.S.S.R. 90%
CHINA (NO FIGURES AVAILABLE)
DEVELOPED WORLD (AUSTRALIA, NEW ZEALAND, WESTERN EUROPE, JAPAN, CANADA AND U.S.) 96%
FAR EAST (EXCLUDING CHINA) 40%
NEAR EAST 36%
AFRICA 19%
LATIN AMERICA 67%

Source: United Nations

(Source: New York Times) 1969

Population


DEVELOPED WORLD (AUSTRALIA, NEW ZEALAND, JAPAN, WESTERN EUROPE, CANADA AND U.S.) 18%
COMMUNIST EUROPE AND U.S.S.R. 11%
CHINA 22%


CHINA
(NO FIGURES AVAILABLE)
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(AUSTRALIA, NEW ZEALAND, WESTERN EUROPE, JAPAN, CANADA AND U.S.)
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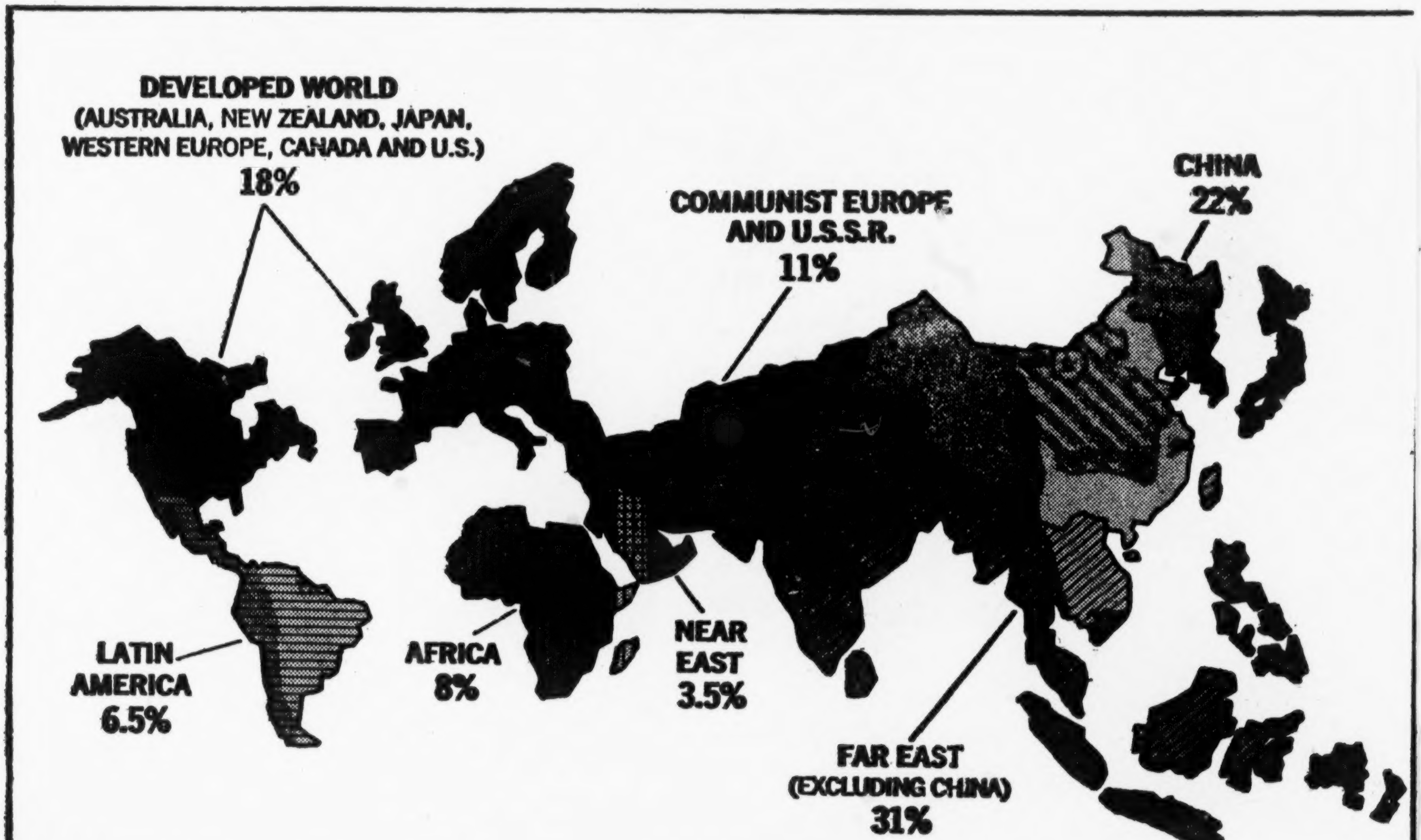
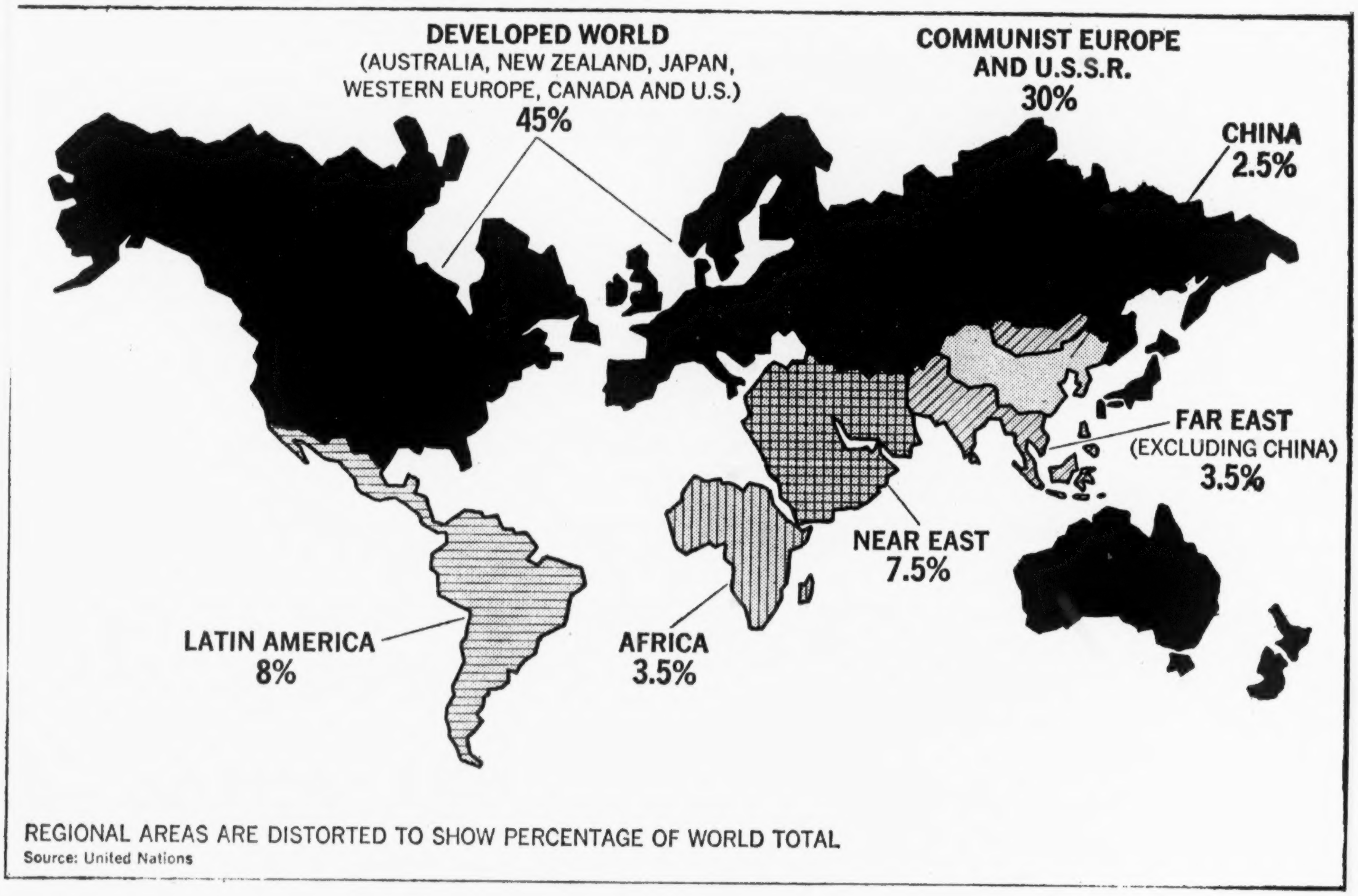

DEVELOPED WORLD
(AUSTRALIA, NEW ZEALAND, JAPAN, WESTERN EUROPE, CANADA AND U.S.)
18%
COMMUNIST EUROPE AND U.S.S.R.
11%
CHINA
22%
LATIN AMERICA
6.5%
AFRICA
8%
NEAR EAST
3.5%
FAR EAST
(EXCLUDING CHINA)
31%

REGIONAL AREAS ARE DISTORTED TO SHOW PERCENTAGE OF WORLD TOTAL.

Source: United Nations

(Source: New York Times) 1969

Gross National Product


DEVELOPED WORLD
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45%
COMMUNIST EUROPE AND U.S.S.R.
30%
CHINA
2.5%
FAR EAST
(EXCLUDING CHINA)
3.5%
NEAR EAST
7.5%
LATIN AMERICA
8%
AFRICA
3.5%

REGIONAL AREAS ARE DISTORTED TO SHOW PERCENTAGE OF WORLD TOTAL
Source: United Nations

(Source: New York Times) 1969

Questions for Inquiry and Discovery

1. Which areas of the world have the largest population?
2. Which areas do not produce enough food to feed their populations? What problems might result?
3. What does the population map tell us about the living standards of the people when it is compared to the gross national product map? What problems might result?
4. How is the literacy map related to the other maps? What does it tell us about the quality of labor? What does it tell us about the difficulties these countries face when they try to overcome their problems?
5. Why do you suppose these same areas have the highest rate of infant mortality?

B. Using a case study to discover how nations are planning for economic growth.

Humberto Vidal and the Alliance for Progress

Humberto Vidal leans into his sawing with new hope these days. He's been a carpenter most of his life, and his bony hands are nearly as tough as the wood he works.

But Humberto Vidal's great strength nearly failed late in 1968, and illness threatened to wreck his modest business in a small town in Brazil.

The spring of 1969, though, finds Vidal with more business than ever. He has electrified his carpentry shop and tripled production. A big, stuffy-sounding government program did the job.

The new hope that Humberto Vidal has found is typical of Latin America's economic vitality.

Behind it is the Alliance for Progress - a vast cooperative effort for economic and social development throughout the hemisphere.

The specific Alliance project that aided Humberto Vidal was a multi-million-dollar loan officially described as aid "to assist in financing related transmission and distribution facilities for the Passo Real Hydroelectric Power project; also U.S. consulting engineering and training services."

To Brazil, the effects of such economic investment in progress are seen in a rising level of activity in key areas of development - home and school construction, new industry, and expanded food production.

In 1968 alone, the U.S. assistance to the Alliance for Progress totaled $1.36 billion. Since the Alliance was formed in 1961, the U.S. contribution has totaled $8.38 billion. And - some would say more importantly - for the same period U.S. private investment in Latin America has been over $3.25 billion. An additional $273 million was given in U.S. private aid.

Translated into economic development, the U.S. role in Alliance accomplishments for 1968 included:

- 3 million students enrolled in U.S.-assisted schools;
- 2 million new acres of land irrigated and reclaimed;
- 12 million people benefiting from drinkable water supply facilities, a 10% rise over 1967;
- 75 million people protected from malaria;
- 1 million people vaccinated against smallpox;
- 400,000 people benefiting from construction of new homes and modern apartment buildings;
- $130 million in local money loans to private businesses

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- 400,000 people benefiting from construction of new homes and modern apartment buildings;
- $130 million in local money loans to private businesses made by U.S.-aided credit firms, a 16% rise over 1967;
- more than 350,000 kilowatt-hours of new electric generating capacity installed, more than double the 150,000 installed in 1967.

These would be mere dry statistics if the Alliance for Progress had not inspired enthusiasm from the Americans it benefits. In nearly every country of Latin America, the Alliance has opened resources of pride as well as of raw materials.

The U. S. evaluation of the Alliance was summed up by U.S. Coordinator Covey T. Oliver, who sees the Alliance as "the most rewarding new instrument in the history of international relations."

(From Issues Today, American Education Publications)

Questions for Inquiry and Discovery

1. What aid was given to Humberto to allow him to increase his production?
2. How did it affect Humberto? How did it affect the Brazilian economy?
3. How has the Alliance for Progress program tried to overcome the major obstacles to economic development?

Questions for Discussion

1. Why has the Alliance for Progress been called "the most rewarding new instrument in the history of international relations?"
2. Should the United States assume the responsibility of helping developing nations?
3. Why might some people criticize the Alliance for Progress program?

Follow-up Activities

**1. A panel can discuss the question: Resolved: that foreign economic aid should be cut. Members of the class can be assigned to read background materials so that they can participate as questioners after the panel discussion.

2. Work out these problems.

The developing countries differ greatly in the details of their problems. The following is a list of four of these countries together with some of their principal characteristics. In each case find out more information about the country and figure out what programs might be useful in promoting economic growth in it.

a) India: Serious overpopulation problem; shortage of technical skills; shortage of capital; democratic government; political stability; experienced administrators; reasonably well-conceived plan for economic development; diversified economy; shortage of foreign exchange; more than half the population still illiterate; trying to develop a "mixed economy" of private enterprise and "democratic socialism."

b) Saudi Arabia: Very rich in oil and almost completely dependent on sale of this in foreign markets to finance economic growth; shortage of technical skills; enlightened leadership by monarch with semi-feudal powers; well-conceived plan for economic development; handicapped by many medieval social attitudes and values.

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   c) Syria: Considerable agricultural and tourists potential; not overpopulated; estreme political instability; left-wing Socialist philosophy and dictorial government maintained in power by the military; industries nationalized; many persons with entrepreneurial skills have left the country; large percentage of government budget devoted to military activities; no real economic planning.

   d) The Congo: Rich in natural resources, particularly copper; not overpopulated; shortage of human skills; political instability; inexperienced administrators; heavy dependence on sale of few primary products on world markets; periodic political interference by outside powers; low educational and health standards.

**Recommended for Students Achieving Above Grade Level.

**3. Students can be assigned individual projects to find out why some developing nations have made significant economic progress while others have not. They can compare countries such as Mexico, Malaysia, Tunisia and Israel with the nations of Haiti, Laos, Indonesia and Algeria.

4. Students can analyze several alternative approaches to economic development. Several approaches are:

   a) national planning and development with no aid from other countries

   b) free movement of private investment capital from areas of surplus to areas of opportunity without consent of recipient nations

   c) development with aid requested from foreign governments

   d) free movement of investment capital from areas of surplus to areas of opportunity with the consent of and regulation by the recipient nation

   Questions for Inquiry and Discovery

   1. What are the problems created by each of the above approaches?

   2. What advantages does each approach offer?

   3. Which of these approaches, or combination of them, would be most beneficial to the following:

      a) a highly developed country such as the United States that has some areas still undeveloped

      b) a country such as Britain that has had a great empire

      c) a country such as Kenya that is basically undeveloped

      d) a country such as Peru that is partly developed

**5. The class can be given the following simulation exercise to give them the opportunity of going through the steps of planning:

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**5. The class can be given the following simulation exercise to give them the opportunity of going through the steps of planning:

   a) Assume that a delegation from an economically underdeveloped country is visiting your class and asks you to answer the following three questions:

      1. What are the most essential features of the way the American economy answers the "what, how, and for whom" questions at the core of all economics?

      2. What are the most essential features of the way today's Soviet economy answers these same questions?

      3. What conclusions might an underdeveloped economy draw from a comparison of these features with respect to a list of goals that such a country might reasonably be expected to have? (Specify the goals and make comparisons with each goal as well as an overall comparison.)

   b) After you have written your answer to each of the preceding questions, compare your answers with those of other members of your class and try to reach an agreement on the best answers to give to the visiting delegation.

6. Independent Study - Students can be directed to the library for independent research into the development of "Paper Gold" as an international medium of exchange.

**Recommended for Students Achieving Above Grade Level.

THEME VII: INTERNATIONAL ECONOMIC PROBLEMS

Selected Bibliography - For High School Students

N = Non-Fiction

Class	Author	Title	Publisher	Date
N	Calderwood, James	International Economic Problems	Scott, Foresman	1961
N	Dean, Vera Michaels	The Nature of the Non-Western World (Rev. Ed.)	New American Library	1966
N	Ellis, Harry	Common Market	World	1965
N	_______	Gold	Federal Reserve Bank, Philadelphia	
N	_______	Balance of Payments	Federal Reserve Bank, Philadelphia	
N	Kenen, Peter	International Economics	Prentice-Hall	1964
N	Paradis, Adrian	Trade, The World's Lifeblood	Messner	1969
N	Rickenbacker, William	Death of the Dollar	Dell	1970
N	Steinberg, David	The USA in the World Economy	Council for Advancement of Secondary Education	1966
N	Tarshis, Barry	Barter Bills and Banks	Messner	1970
N	Theobald, Robert	The Rich and the Poor	New American Library	1960
N	Ward, Barbara	The Rich Nations and the Poor Nations	Norton	1962
N	Ward, Barbara	Lopsided World	Norton	1968

Selected Bibliography - For Teachers

Author	Title	Publisher	Date
Miksell, Raymond	Economics of Foreign Aid	Aldine	1968
Papanek, Gustav, et al.	Case Studies in Economic Development	Houghton-Mifflin	1970

Audio-Visual Materials

Films

85.4	Breaking the Trade Barrier	McGraw-Hill
206.42	Exports, Imports, Dollars & Gold	Carousel Films
404.25	Mr. Europe and the Common Market	Carousel Films
	Not Enough	Modern Learning Aids
	Protective Tariff vs. Free Trade	McGraw-Hill
	Problems of Emerging Nations	Av. Ed. Films
	The European Common Market	Coronet
	Revolution in Human Expectations	Audio-Visual Instruction
	Trade Between Nations	Bailey
	Port of New York	Learning Resource Service (Southern Illinois University)
	Round Trip: U.S.A. in World Trade	Encyclopedia Britannica

Filmstrips

	International Trade: Worlds Lifeline	Current Affairs
	International Trade: Economic Series II	McGraw-Hill
	Understanding International Trade	McGraw-Hill
	Feeding the World's People	Current Affairs

Programmed Instruction

Keith Lumsden	International Trade	Behavioral Research Laboratories

Simulation Games

	Trade and Development	John Hopkins Univ. Baltimore, Md.

APPENDIX

SKILLS DEVELOPED SYSTEMATICALLY

MAP AND GLOBE SKILLS

Interpreting aerial photographs
Relating maps to actual places
Interpreting situation and distribution map

TIME AND SPATIAL RELATIONSHIPS

Relating dates to personal experience
Developing critical thinking about events and dates
Placing related events in chronological order

SKILLS IN LOCATING AND GATHERING INFORMATION

Using pictures and clipping files
Using topical listings
Using an Atlas and World Almanac
Using a Card Catalog
Taking Notes
Using Footnotes
Using cross reference
Using The Reader's Guide To Periodical Literature
Developing a Questionnaire
Making Inventories
Interviewing
Using newspaper and current magazines
Asking analytical and searching questions

Problem Solving and Critical Thinking

A. Analyzing and evaluating information
Differentiating fact from opinion
Determining how to arrange and organize data
Interpreting pictures, tables, graphs and charts
Identifying sources
Identifying emotional words
Pointing out false ideas
Evaluating speaker's qualifications
Detecting evidence of propaganda
Checking with other sources
Identifying problems
Evaluating ideas and data

SKILLS DEVELOPED SYSTEMATICALLY

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Relating maps to actual places
Interpreting situation and distribution map

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Pointing out false ideas
Evaluating speaker's qualifications
Detecting evidence of propaganda
Checking with other sources
Identifying problems
Evaluating ideas and data

B. Organizing Ideas

Using technical terms
Using outlines
Grouping related ideas
Distinguishing main points
Placing ideas in sequence
Presenting conflicting views and statements
Skimming and summarizing materials
Making bibliographies
Making footnotes
Keeping to the point
Separating relevant from unrelated ideas

C. Researching a constructive compromise
Seeing cause and effect relationships
Comparing problems with previous experiences
Recognizing what references may be made
Suggesting solutions
Discovering compromise that enables progress

Skills in Interpersonal Relationships and Group Participation

Engaging in fair play
following rules and laws
Listening to reason
Withholding judgment until facts are known
Observing the actions of others
Learning how to disagree
Giving constructive criticism
Defending a report
Taking a position in an issue
Defending a position
Accepting a new position
Anticipating consequence of group discussion and action
Planning and contributing ideas

SUGGESTIONS FOR EVALUATION

Evaluation of student achievement should be based on the objectives of the economic's course of study as well as the objectives for the K-12 social studies program. These objectives are restated below.

Behavioral Objectives for the Economics Curriculum

COGNITIVE

I. RECALL AND THE COMPREHENSION OF BASIC INFORMATION

- a. Can recall selected names, facts and ideas in Economics
- b. Can define significant terms in Economics
- c. Can present various points of view in Economics

CRITICAL THINKING

II. SKILLS IN LOGICAL THINKING

- a. Can identify the purpose of a statement, argument, or document
- b. Can list the assumptions made in selected materials
- c. Can generalize to a principle from a set of factual information
- d. Can translate a principle into a concrete example

III. SKILLS IN DEVELOPING AND ANALYZING HYPOTHESES AND GENERALIZATIONS

- a. Can identify the problems and their subproblems when confronted with statements of issues and policies
- b. Can support or reject arguments, explanations, and proposed solutions with statements of facts
- c. Can differentiate between relevant and irrelevant information used in the support of arguments, explanations, and proposed solutions.

IV. SKILLS IN APPLYING LOGICAL THINKING, HYPOTHESES, AND GENERALIZATIONS

- a. Can recognize and state one's own beliefs, opinions and values
- b. Can differentiate between objective evidence and personal bias when preparing explanations for or solutions to problems, issues, policies or events
- c. Can recognize bias in a given selection of information
- d. Can prepare explanations for or solutions to problems, issues, policies or events

Examples of questions that attempt to assess student achievement of the above objectives are developed below.

I. a. Can recall selected names, facts and ideas in economics studies program. These objectives are restated below.

Behavioral Objectives for the Economics Curriculum

COGNITIVE

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I. a. Can recall selected names, facts and ideas in economics

1) The Employment Act of 1946

(a) guaranteed a job to every able-bodied man and woman.
(b) officially committed the federal government to the job of promoting full employment.
(c) removed price controls and rationing, which has kept down the number of jobs in consumer-goods industries.
(d) required a sixty-day "cooling off" period before a union was allowed to strike in a crucial industry.

2) Adam Smith said that in a market society people were primarily moved by

   (a) self-interest.
   (b) a desire to produce the best possible products.
   (c) a desire to raise total production.
   (d) a desire to increase efficiency.

b. Can define significant terms in economics

1) "Collective bargaining" means that

   (a) one central council, like the A.F. of L., bargains for a collection of member union locals.
   (b) workers bargain through a representative or representatives, instead of individually.
   (c) a group of union leaders bargain with representatives from several companies.
   (d) workers form producer cooperatives, similar to those formed by some farmers.

2) All of the following are capital goods except

   (a) Pizza ovens
   (b) Pizza dough
   (c) Pizza cutters
   (d) Cheese graters

c. Can present various points of view in economics

1) Which one of the following statements best represents the point of view of a member of Gosplan?

   (a) "Our job is relatively simple, because Gosplan has power to decide how to answer the what, how, and form whom questions."
   (b) "What a headache! Every time I change one part of the plan, a hundred other parts have to be changed."
   (c) "This year we'll increase agricultural production but we'll keep industrial production at the same level as last year."
   (d) "Planning a whole economy is an impossible job, because it's just too complicated. Let's change to a market economy instead."

2) Questions 1, 2, and 3 refer to the following quotations:

Speaker I: "I would not permit these economic injustices to continue. I'd take over the means of production, run them for the good of society, and distribute goods in keeping with national goals."

Speaker II: "It's too bad about him. His firm isn't efficient enough. He'll have to declare bankruptcy and start all over again.If we try to keep him in business, we'll harm the economy in the long run."

(b) a desire to produce the best possible products.
(c) a desire to raise total production.
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(d) "Planning a whole economy is an impossible job, because it's just too complicated. Let's change to a market economy instead."

2) Questions 1, 2, and 3 refer to the following quotations:

Speaker I: "I would not permit these economic injustices to continue. I'd take over the means of production, run them for the good of society, and distribute goods in keeping with national goals."

Speaker II: "It's too bad about him. His firm isn't efficient enough. He'll have to declare bankruptcy and start all over again.If we try to keep him in business, we'll harm the economy in the long run."

Speaker III: "It isn't necessary to change the economy completely. We can regulate the activities of businessmen and redistribute income to eliminate poverty by passing laws."

Speaker IV: "Why change? We have always lived happily with the old ways of our fathers?"

1. Which speaker best represents the views of a man from a command economy?

(a) Speaker I
(b) Speaker II
(c) Speaker III
(d) Speaker IV

2. Which speaker best represents the view of a man from a mixed economy?

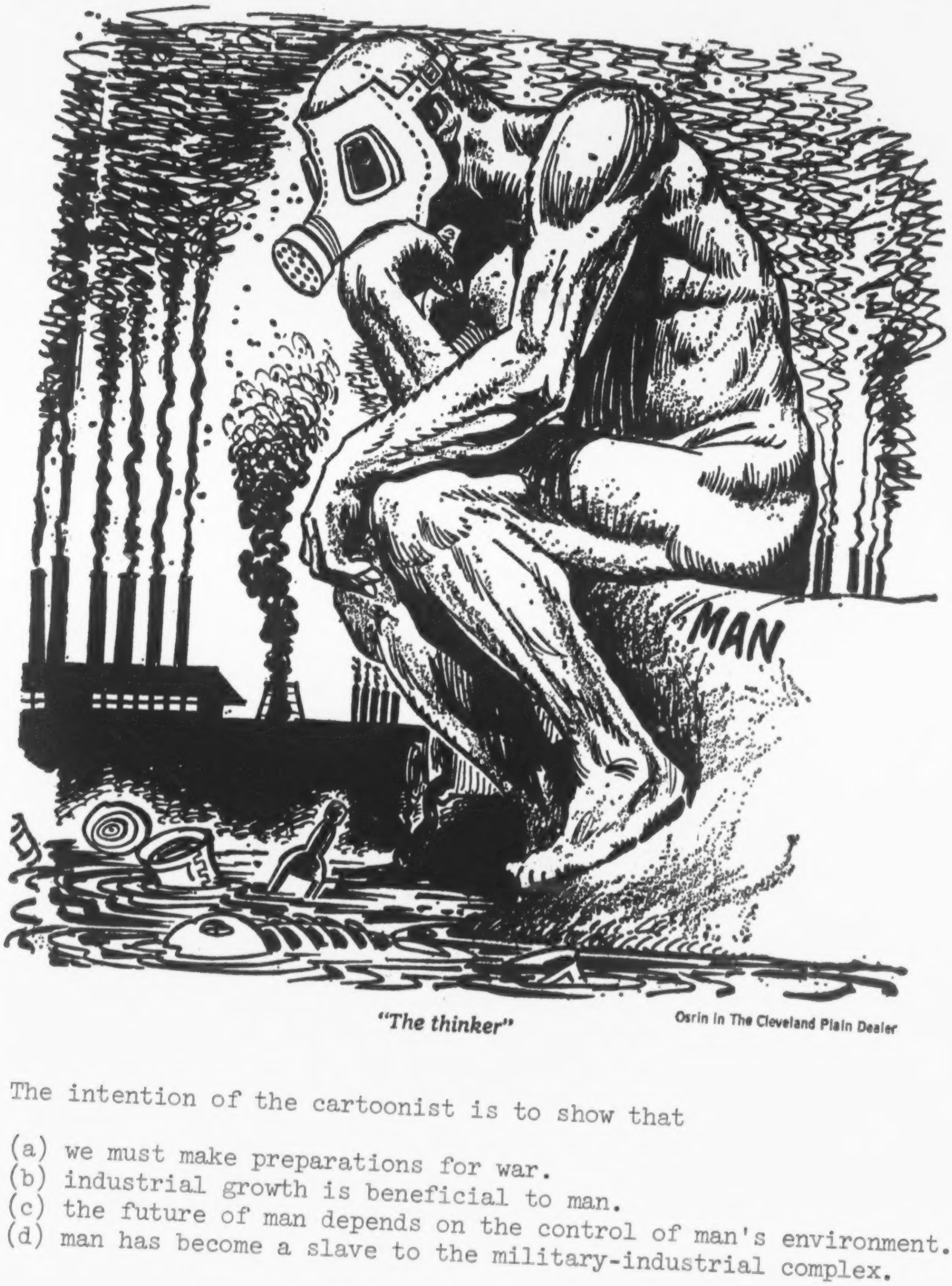
(a) Speaker I
(b) Speaker II
(c) Speaker III
(d) Speaker IV

3. Which speaker best represents the view of a man from a pure market economy?

(a) Speaker I
(b) Speaker II
(c) Speaker III
(d) Speaker IV

II. a. Can identify the purpose of a statement, argument or document.

1)



"The thinker" Osrin in The Cleveland Plain Dealer

The intention of the cartoonist is to show that

(a) we must make preparations for war.
(b) industrial growth is beneficial to man.
(c) the future of man depends on the control of man's environment.
(d) man has become a slave to the military-industrial complex.

2) The family which takes its mauve and cerise air-conditioned, power-steered and power-braked automobile out for a tour passes through cities that are badly paved, made hideous by litter, blighted buildings, billboards, and posts for wires that should long since have been put underground. They pass on into a countryside that has been rendered largely invisible by commercial art. They picnic on exquisitely packaged food from a portable icebox by a polluted stream. Just before dozing off on an air mattress, beneath a nylon tent, amid the stench of decaying refuse they may reflect vaguely on the curious unevenness of their blessings. Is this indeed the American genius?

The author of the above statement feels that

(a) leisure time is used poorly.
(b) people are unaware of the problems around them.
(c) life in the country is more healthy than life in cities.
(d) air pollution is caused mainly by cars.

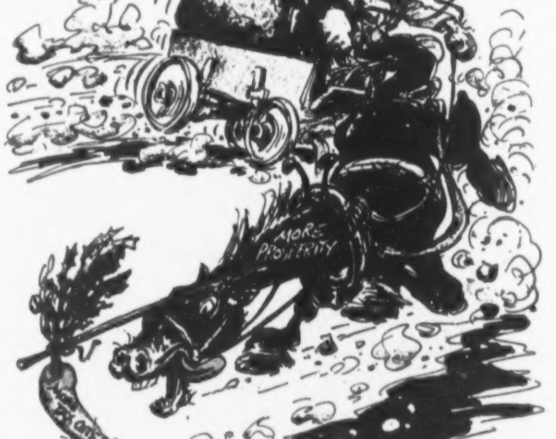
b. Can list the assumptions made in selected materials

1) "President Kennedy's intervention in the steel price dispute in 1962 was entirely unjustified and in clear opposition to our government's longstanding attitude in economic affairs: Laissez-faire."

The author of this statement has assumed that

(a) the steel strike was unjustified.
(b) the federal government has no role in economic affairs.
(c) price increases are never justified.
(d) the government and steel industry should work out agreed steel prices before they are announced.

2)



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(a) taxes cause inflation.

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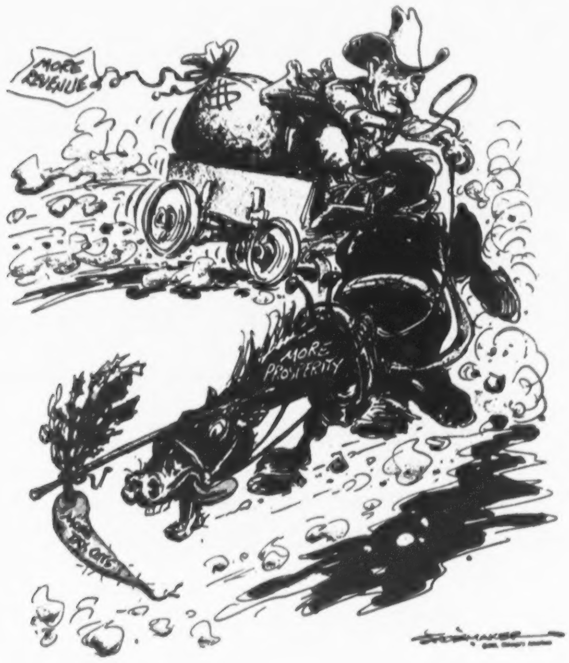
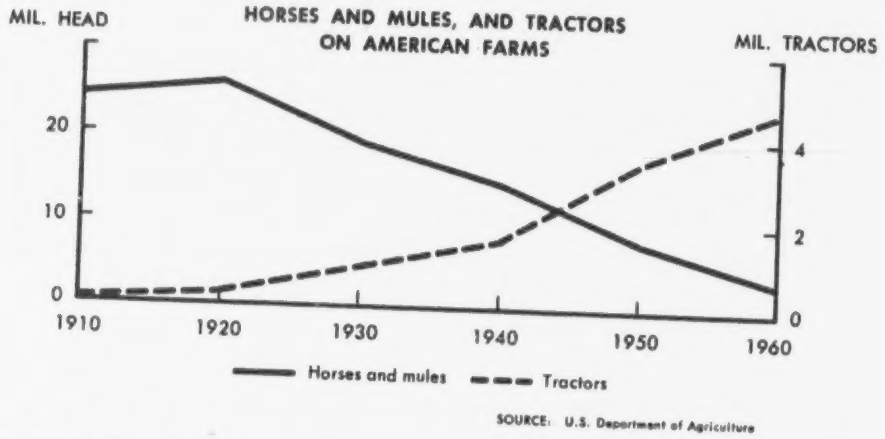


The cartoonist has made the assumption that

(a) taxes cause inflation.
(b) the federal government is interested in increasing its tax revenue.
(c) government tax policies can affect our economy.
(d) taxes are reduced during periods of prosperity.

c. Can generalize to a principle from a set of factual information.

1)



SOURCE: U.S. Department of Agriculture

On the basis of the information presented in this graph alone we can conclude that

(a) farm population declined between 1910 and 1960.
(b) farm productivity rose between 1910 and 1960.
(c) investment in farm machinery rose between 1910 and 1960.
(d) less feed grain was grown in 1960 than in 1910 because there were fewer horses and mules to feed.

2)

MONTHLY BUSINESS STATISTICS

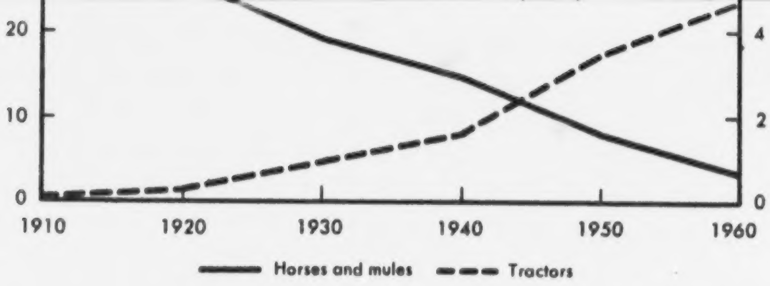
ITEM		1967	1968
Commodity Prices			
CONSUMER PRICE INDEX:			
Unadjusted indexes:			
All items	1957-59-100	116.3	120.9
Special group indexes:			
Commodities	1957-59-100	109.2	113.0
Services	"	127.7	134.0
Food	"	115.2	119.2
Housing	"	112.4	114.9
Apparel & Upkeep	"	113.0	118.9
Transportation	"	128.4	133.2
Medical	"	145.6	155.8

Source: Business Statistics, U.S. Dept. of Commerce

Below are listed several generalizations. You are to judge whether or not they can be made on the basis of the data given in the table, or if it is necessary to find additional information before any generalization can be made.

For each of the numbered items write the letter

(a) if the generalization can be made on the basis of information given.
(b) if the generalization requires you to find information regarding commodity prices in previous years.
(c) if the generalization requires you to find what per cent of his budget the buyer



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(a) if the generalization can be made on the basis of information given.
(b) if the generalization requires you to find information regarding commodity prices in previous years.
(c) if the generalization requires you to find what per cent of his budget the buyer spends for various goods and services.
(d) if the generalization cannot be made even if the information described in 2 and 3 were made available.

1. To maintain the same standard of living in 1968 as in 1957-59, a person must have increased his income during those years about 20%.

2. The consumer spends a greater percent of his budget for transportation than he does for clothing.

3. Our cost of living will increase at a rate of two percent a year for the next ten years.

4. The cost of living increased at a faster rate in 1968 than it did in 1960.

5. Food represents the largest part of the average consumer's budget.

d. Can translate a principle into a concrete example

1) Which of the following shows that money is created by commercial banks?

   (a) They sell U.S. savings bonds.
   (b) They make loans and set up checking accounts.
   (c) They print money.
   (d) They can be chartered by the national government.

2) Below are listed four economic principles

   (a) Supply and demand are factors that help determine price.
   (b) From each according to his ability, to each according to his needs.
   (c) Income comes from the individual's contributions to the production of goods and services.
   (d) Capital is a key factor in producing more goods.

   For each of the headlines below select the principle that applies to that headline.

   1. R.C.A. Introduces a New Automated Process

   2. Florida Frost Will Cut Orange Crop

   3. Workers Strike for Increased Benefits

III. a. Can identify problems and their subproblems when confronted with statements of issues and policies.

1) "Clearly, unemployment is, and will continue to be, concentrated in jobs the economy has less and less use for--and this is true in good times as well as bad. Even in periods of boom like the present, employment opportunities do not improve sufficiently among laborers and unskilled workers to do away with the hard core unemployment problem that is responsible for most of the nation's poverty.

   "The key role of education is dramatically illustrated by the government's statistics which show:

   1. that the median educational attainment of every job category in which unemployment exceeds the national average is less than high school.

   2. that except for the service sector of the economy,

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   "The key role of education is dramatically illustrated by the government's statistics which show:

   1. that the median educational attainment of every job category in which unemployment exceeds the national average is less than high school.

   2. that except for the service sector of the economy, none of the growth areas are in job categories requiring less than a high school education.

   "The statistics also show that there is virtually no unemployment among the college trained. Even so, the proportion of college graduates in the work force, currently around 12% is not expected to exceed 14% by 1975.

   --from "Today's Unemployed and Tomorrow's Labor Force" from Challenge, December, 1965.

Which of the following problems does this reading selection pose for our economy?

(a) How to find jobs for college educated people in the labor market.
(b) How to provide the highest level of education for people in the service sector of our economy.
(c) How to prevent automation.
(d) How to increase the education level of unskilled workers.

2) The people in a community favor the building of more housing to provide for the growth of the community.

(a) Identify one problem they will meet when discussing the above proposal.
(b) Discuss two problems that can evolve from the above situation.

b. Can support or reject arguments, explanations, and proposed solutions with statements of facts.

Questions 1 and 2 refer to this table:

	1869/1870	1899/1890	1919/1920
U.S. Population	40 million	64 million	106 million
GNP (in dollars)	$ 9 billion	$24 billion	$ 73 billion
Output per Man-Hour (1900=100)	61	82	151
Manufacturing Capital	$ 2 billion	$ 7 billion	$ 44 billion

1) To find the increase in wealth of the average American between 1870 and 1920, you should

(a) divide the GNP by the output per man hour.
(b) divide the manufacturing capital by population.
(c) divide the GNP by population.
(d) divide the population by the GNP.

2) The table contains evidence which implies that all of the following hypotheses are true EXCEPT:

(a) Both the total number of workers and the efficiency of the average worker increased.
(b) Machinery played an increasing role in the American economy.
(c) The pace of industrialization was greater between 1890 and 1920 than between 1870 and 1890.
(d) Population grew at a faster rate than the production of goods and services.

c. Can differentiate between relevant and irrelevant information used in the support of arguments, explanations and proposed solutions

I. Population: 30,000,000

II. Population increase: 1,000,000 per year

(b) How to provide the highest level of education for people in the service sector of our economy.
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I. Population: 30,000,000

II. Population increase: 1,000,000 per year

III. Birth Rate: 4,000,000 per year

IV. Number of trained doctors: 2,000

1) Which of the facts given above would you use to answer the question, "What is the population growth rate of country X?"

A. I only
B. II only
C. I and II only
D. I and III only

2) Which of the facts given would you use if you had developed the hypothesis, "The population of country X is growing at a rate of 10% per year"?

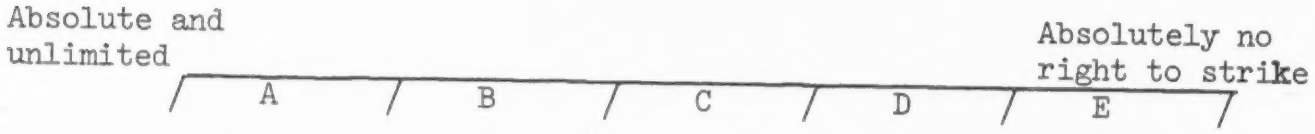
A. I only
C. I and II only
B. II only
D. None of the above

IV. a. Can recognize and state one's own beliefs, opinions and values

1) One of the problems of economics is making choice. For each of following areas of choice select one item and give one reason for selecting it.

(a) a landing on Mars - elimination of poverty.
(b) a college education - a job after High School graduation.

2) Place the following workers on the strike scale shown below. Justify your choice by providing a brief statement for your reason.



1. public school teachers
2. police officers
3. soldiers
4. commercial pilots
5. Workers in a toy factory
6. dairy farmers
7. radio-TV announcers
8. gas station attendants
9. physicians
10. toll collectors
11. auto manufacturers
12. bank tellers
13. private school teachers
14. astronauts
15. baseball players
16. bus drivers
17. workers in a defense plant
18. workers in a clothing factory
19. grave-diggers
20. telephone operators
21. firemen
22. stevedores
23. secretaries and office workers
24. postmen

b. Can differentiate between objective evidence and personal bias when preparing explanations for or solutions to problems, issues, policies or events.

1) We wish to discover whether deficit financing by the federal government affects the value of the dollar. A scientific approach to this problem would be to:

(a) see what the early economic philosophers thought about the matter.
(b) make a statistical analysis of the effects of deficit financing under different sets of conditions.
(c) ask a large number of persons selected at random from all parts of the United States and determine their average opinion regarding the effects of deficit financing.
(d) study articles by the AFL-CIO and the U.S. Chamber of Commerce regarding the problem.

2) In determining a company's ability to pay higher wages, an arbitrator in a labor-management dispute would find which of the following most useful:

(a) the cost-of-living index.

A. I only C. I and II only

B. II only D. None of the above

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Absolute and unlimited — Absolutely no right to strike

/ A / B / C / D / E /

1. public school teachers
2. police officers
3. soldiers
4. commercial pilots
5. Workers in a toy factory
6. dairy farmers
7. radio-TV announcers
8. gas station attendants
9. physicians
10. toll collectors
11. auto manufacturers
12. bank tellers
13. private school teachers
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2) In determining a company's ability to pay higher wages, an arbitrator in a labor-management dispute would find which of the following most useful:

(a) the cost-of-living index.
(b) the increase in productivity of the workers.
(c) the increase in the cost of raw materials.
(d) the amount of general unemployment in the community.

c. Can recognize bias in a given selection of information.

1) Which of the following is the least biased assumption about unemployment?

(a) People who are unemployed are lazy people.
(b) Some people have no job because they lack the necessary skills.
(c) Discrimination has nothing to do with the unemployment problem.
(d) The high degree of unemployment among our youths is due to the fact they cannot be trusted on the job.

2) The table below describes the voting records of two Congressmen. Assuming that Congressmen A and B are consistent, decide what would be their probable vote in the situations in 1 and 2.

Bills in Congress	Congressman A	Congressman B
Regulation of business	Nay	Yea
Regulation of public utilities	Nay	Yea
Minimum wage rates	Nay	Yea

1. Which bill would Congressman A most likely favor?

(a) federal aid to education (b) corporate income taxes
(c) public ownership of natural resources
(d) restrictions on labor union activity

2. Which bill would Congressman B most likely vote against?

(a) increase in Social Security benefits (b) sale of forest preserves to private developers (c) antipoverty legislation
(d) truth-in-advertising legislation

d. Can prepare explanations for or solutions to problems, issues, policies, or events

1) All of the following reactions helped bring on the Depression EXCEPT:

(a) Following the stock-market crash, people tended to save what was left of their money rather than spend it.
(b) As a result of the larger amounts of money saved, businesses increased capital investment.
(c) Because of the power of big business, prices fell less rapidly than wages.

(d) As a result of the industrial depression, farm prices fell even further.

2) Which of the following policies is probably the LEAST effective way in which the American government can try to control depressions and inflations?

(a) The government can time its expenditures to

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2) Which of the following policies is probably the LEAST effective way in which the American government can try to control depressions and inflations?

(a) The government can time its expenditures to match the ups and downs of the business cycle.
(b) The government can tax more heavily during periods of inflation and prosperity and less heavily when depressions threaten.
(c) The government can control the money supply in order to encourage investment and spending when times are bad and discourage them during inflation.
(d) The government can try to persuade both consumers and investors to spend less during an inflationary period and to spend more when the business cycle turns down.

The economics program also provides for affective objectives that teachers should work toward throughout the course. They include:

I. ATTITUDES

Develop a respect for the democratic process

a. Shows respect for individual rights

b. Abides by majority decisions

c. Is committed to peaceful procedures in making changes

d. Accepts lawful dissent

e. Develops a concern for the problems of others

f. Shows interest in, and concern for, the problems of interdependence and peaceful cooperation

II. BEHAVIOR

a. Supports peaceful solutions to conflicts

b. Willingly participates in civic responsibility

Any evaluation of whether students have achieved the affective goals of the Economic Program is difficult but vitally important. While it is difficult to test objectives of achievement of these goals there are techniques and questions which teachers can employ to judge whether these goals are being achieved.

ATTITUDES

Develops respect for the democratic process

Questions teachers should ask themselves:

Do the students listen to each other?

Do they respect each others opinions?

Are they willing to accept the will of the majority?

How do they treat students who disagree peacefully?

BEHAVIOR

Show interest in, and concern for the problems of interdependence and peaceful cooperation

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BEHAVIOR

Show interest in, and concern for the problems of interdependence and peaceful cooperation

Questions teachers should ask themselves:

Do students participate in community activities?

Do they actively seek to aid others who are less fortunate?

VALUES

Recognizes his own values and respects the values of others

Questions teachers should ask themselves:

Do students make judgments based on values they recognize?

Do they recognize that differences of opinion exist based on belief in different sets of values?

Do students translate their values into a committment to action and participation?

PHILOSOPHY OF THE K-12 SOCIAL STUDIES PROGRAM

The curriculum revision program in history and the social sciences has been guided by several major considerations. These may be summarized as follows:

1. *It emphasizes the teaching of concepts rather than the accumulation of data.* The revision program has been predicated on the same theory of learning that inspired recent changes in the teaching of science and mathematics. Impetus for the program results from the conviction - held by many scholars and educators - that social studies is often inadequately taught. Much of the traditional content is at variance withcurrent scholarship in history and the social sciences. Too often the subject is presented as a series of "facts" bearing little apparent relationship to the student's concerns and contributing little or nothing to the maturation of his intellectual powers.

If it is to be truly meaningful, instruction in history and the social sciences should focus on the development of critical thinking. The student must learn to "think as a scholar" -- to search out and deal with authentic source materials, to use techniques of inquiry and discovery, and finally, to arrive at conclusions supported by evidence. He should not be asked to accept the answers of others to questions he may not fully understand. The hope is that the student will learn to question and probe -- to formulate hypotheses and test conclusions in the light of carefully sifted evidence. He will thus be able to perceive the shortcomings of his own generalizations and to modify them accordingly. Rather than learning "facts" as ends in themselves, he will learn what the facts are, how significant they might be, and to what uses they can be put. This program does not suggest that "discovery learning" is necessarily the only route to better teaching. It does however, pose the question of whether conceptual learning and the use of inquiry techniques offer more satisfactory educational venture than the traditional "telling" of content.

2. *It seeks to provide all students with the values, skills, understandings, and knowledge needed to cope with the pressing social problems of our age.* We live in an era of change and challenge, a time when new and complex forces are reshaping our society. Our students must of necessity be receptive to change. They must recognize the sources of change and be prepared to deal effectively with issues raised by change. They must also strengthen their commitment to democratic values. Our students should be helped to appreciate not only the worth of the individual but also the importance of basic civil rights, civil liverties, and civic responsibilities.

3. *It attempts to incorporate into the curriculum basic concepts drawn from the disciplines of history and the social sciences.* The factual data to be derived from the study of history and the social sciences have increased enormously during the past few decades. There is now much more to be learned from each of the disciplines than any one person can possibly learn. Each discipline, nevertheless, offers a set of

1. It emphasizes the teaching of concepts rather than the accumulation of data. The revision program has been predicated on the same theory of learning that inspired recent changes in the teaching of science and mathematics. Impetus for the program results from the conviction - held by many scholars and educators - that social studies is often inadequately taught. Much of the traditional content is at variance withcurrent scholarship in history and the social sciences. Too often the subject is presented as a series of "facts" bearing little apparent relationship to the student's concerns and contributing little or nothing to the maturation of his intellectual powers.

If it is to be truly meaningful, instruction in history and the social sciences should focus on the development of critical thinking. The student must learn to "think as a scholar" -- to search out and deal with authentic source materials, to use techniques of inquiry and discovery, and finally, to arrive at conclusions supported by evidence. He should not be asked to accept the answers of others to questions he may not fully understand. The hope is that the student will learn to question and probe -- to formulate hypotheses and test conclusions in the light of carefully sifted evidence. He will thus be able to perceive the shortcomings of his own generalizations and to modify them accordingly. Rather than learning "facts" as ends in themselves, he will learn what the facts are, how significant they might be, and to what uses they can be put. This program does not suggest that "discovery learning" is necessarily the only route to better teaching. It does however, pose the question of whether conceptual learning and the use of inquiry techniques offer more satisfactory educational venture than the traditional "telling" of content.

2. It seeks to provide all students with the values, skills, understandings, and knowledge needed to cope with the pressing social problems of our age. We live in an era of change and challenge, a time when new and complex forces are reshaping our society. Our students must of necessity be receptive to change. They must recognize the sources of change and be prepared to deal effectively with issues raised by change. They must also strengthen their commitment to democratic values. Our students should be helped to appreciate not only the worth of the individual but also the importance of basic civil rights, civil liverties, and civic responsibilities.

3. It attempts to incorporate into the curriculum basic concepts drawn from the disciplines of history and the social sciences. The factual data to be derived from the study of history and the social sciences have increased enormously during the past few decades. There is now much more to be learned from each of the disciplines than any one person can possibly learn. Each discipline, nevertheless, offers a set of basic concepts variously known as "key ideas," understandings, or generalizations. These concepts provide a structure around which learning may be organized within each grade and from the prekindergarten through grade twelve. Recent educational research indicates that students can learn significant concepts at the earliest levels of instruction. They may use these concepts, moreover, to organize and apply factual information.

A list of the concepts from history and the social sciences on which this program is based may be found on the following pages.

4. It attempts to develop skills and research techniques sequentially. The social science disciplines provide important tools for analysis and encourage the use of objective, rational methods in the study of contemporary problems. In the new program, the development of fundamental skills parallels the development of concepts. When taught functionally and in a sequential manner, these skills enable students to relate information to key generalizations. A chart of the basic skills indicating suggested grade placements may be found on pages 394 through 397.

5. It attempts to provide learning activities that aim at conceptualization through techniques of inquiry and discovery. Understandings are developed as pupils find, analyze, and weigh available evidence - including their own experiences - in the search for truth. In the early grades, the "discovery method" relies largely upon activities in which the child is a participant as well as upon vicarious experiences and illustrative materials such as pictures, books, films, and other media. More challenging materials and methods may be used in the middle and upper grades. Probing discussion questions, careful analysis of primary source materials, case studies of concrete social phenomena, the use of contrasting evidence to underscore man's varied social responses -- these and other strategies are used to obtain pupil interest and to develop understandings. More than the usual emphasis is placed upon inductive techniques of teaching. These techniques may be used with equal advantage in the self-contained classroom, in team teaching, in independently programed study, and with both large and small groups of pupils of varying abilities.

No one method, however, is mandated for this program. Children learn in many different ways. The learning process justifies a variety of techniques or strategies and a wide range of teaching materials.

6. It emphasizes the use of multi-media resources rather than the traditional textbook. The new program requires the use of a variety of materials. Traditional textbooks invite "coverage"; they are geared to expository learning rather than inquiry and discovery. Far more useful are pupil materials which lend themselves to the process of drawing inferences and forming generalizations. These materials require students to find, anayyze, and weigh evidence, and to reach conclusions. They secure pupil interest and may be used to develop basic skills and understandings.

Especially useful in the new program are the audiovisual materials of instruction -- motion pictures, filmstrips, maps, globes, transparencies, 8 mm. single-concept films, programed instruction, records, tapes, pictures and other nonbook resources.

An effective program in history and the social sciences depends to a very large extent upon the use of multi-media resources. Differences in the backgrounds, abilities, interests, and learning styles of students cannot be served if only a single type of pupil material is presented.

The Basic Concepts from History and the Social Sciences.

As indicated below, (page 387), the new program focuses on the development of significant concepts drawn from the disciplines of history and the social sciences.

The concepts listed below represent a careful distillation of key understandings which historians and social scientists associate with their respective disiplines. There is, of course, no universal agreement among scholars as to what constitutes the fundamental generalizations offered by their disciplines. The list provided reflects the concepts generally expressed in the most recent literature of the disciplines.

Although some of the concepts may be grasped without difficulty by students, the majority of the concepts require careful, systematic instruction over a long period of time before they can be understood fully. These concepts are not facts to be taught; they are goals to be reached. If students merely learn to repeat the concepts without first laying the groundwork by the study of related content --reading, observing, inquiring, forming and testing such as pictures, books, films, and other media. and methods may be used in the middle and upper grades. Probing discussion questions, careful analysis of primary source materials, case studies of concrete social phenomena, the use of contrasting evidence to underscore man's varied social responses -- these and other strategies are used to obtain pupil interest and to develop understandings. More than the usual emphasis is placed upon inductive techniques of teaching. These techniques may be used with equal advantage in the self-contained classroom, in team teaching, in independently programed study, and with both large and small groups of pupils of varying abilities.

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Although some of the concepts may be grasped without difficulty by students, the majority of the concepts require careful, systematic instruction over a long period of time before they can be understood fully. These concepts are not facts to be taught; they are goals to be reached. If students merely learn to repeat the concepts without first laying the groundwork by the study of related content --reading, observing, inquiring, forming and testing hypotheses, reaching intuitive and tentative conclusions -- they will acquire only empty verbalisms, to be repeated without comprehension and quickly forgotten. Topics should not, therefore, be introduced by providing students with copies of the concepts.

How should we plan for conceptualization? Each teacher must decide the most effective way of introducing particular themes and related content and of motivating students to approach them with enthusiasm and purpose. As class work proceeds and as students use the materials provided, they should be encouraged to go beyond the initial step of acquiring information. They should be helped to arrive at broad interpretations; to venture intuitive speculations about meanings, implications, consequences; to chech hypotheses against available facts; and to recognize the practical need at times for reaching pragmatic decisions without having all the facts. By these efforts, the class will no doubt discover many understandings in addition to those listed.

If the concepts are essential to a comprehension of the discipline involved, and if the related content is actually relevant, the concepts indicated for each theme should, at some point during the study of that theme, be arrived at by the class. Of course, the exact phrasing by students will be different from the listing of basic concepts which follows:

History (H)

1. History is a continuous process leading to the present.
   a. Every event, movement, and institution has roots in the past.
   b. Customs, traditions, values, and beliefs are passed from generation to generation.
   c. Man is a product of his past.
   d. An understanding of the past helps man to comprehend the present and search into the future.

2. Historical events have multiple causes and effects.
   a. The causes and consequences of historical events are often numerous and complex.
   b. Historical events may have consequences in times and places other than their own.
   c. Though history never repeats itself exactly, similar causes tend to produce similar results.
   d. Chance and accident influence history and impose limitations on predictability.

3. The present influences our understanding of the past.
   a. Knowledge of the past is based upon artifacts, remains, written records, and oral traditions which have been selected, classified, and interpreted.
   b. The historian uses the information and interpretations of other historians to construct his own explanation of the past.
   c. Historians draw from every field of knowledge to improve their understanding of the past.
   d. Since historians tend to view the past in the light of their own times and culture, the historical record generally reflects the times and culture of the historian.
   e. Each generation must seek to rediscover, verify, and explain the past for itself.

4. Change is a constant in history.
   a. Change is an inevitable condition of life.
   b. Varying attitudes toward change produce conflict.
   c. Among the processes that have been productive of change are the movement of peoples; the transmission of the cultural heritage to succeeding generations; the appearance and diffusion of new ideas, attitudes, beliefs, and values; new inventions and discoveries; alterations in the physical environment.
   d. The tempo of change has varied in different times and places; in the recent past, change has taken place at an accelerated pace.

5. Change does not necessarily

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5. Change does not necessarily imply progress.
    a. Progress involves change toward a desired goal.
    b. The goals of society have varied in different times and places.
    c. Progress occurs as men meet the problems resulting from change with varying degrees of success.
    d. Change at variance with desired goals has also taken place.
    e. Civilizations develop as men successfully meet problems arising from change; civilizations decline and disintegrate as men fail to adapt to new circumstances.

Geography (G)

1. Most of man's activities take place on the surface of the earth; many of his activities take place below the surface of the earth; man is rapidly moving toward activities in outer space.
    a. Man's life is affected by relationships between the earth and the universe.
    b. Where man lives influences the way he lives.

   c. As population density increases, the possibility of conflict and the need for cooperation increase.

2. Earth changes man and man changes earth.

   a. Natural occurrences over which man has no control either improve or destroy life and property.
   b. Man has always used the earth's resources for living.
   c. Man must reexamine his geographic environment in light of his changing attitudes, objectives, and technical skills.
   d. Physical and human changes in one part of the world affect peoples' lives in other parts of the world.

3. Geographic factors have a significant role in the life of a nation.

   a. A nation's use of its geography depends upon its political and economic objectives.
   b. No nation is completely self-sufficient.
   c. Conflicts between nations often arise because of geographic factors.
   d. Intensive exploration of the earth and outer space is increasing international cooperation in scientific ventures.

4. Maps and globes are visual representations of the earth or parts of the earth.

   a. Mapping and map analysis are basic tools of geography.
   b. Scale establishes the relationship between what is seen on a map and the actual size and shape of the area.
   c. Map symbols help us read and interpret maps.
   d. Aerial photography is now essential in mapping the physical features and cultural development of an area.
   e. Distances are measured on the surface of the earth and above and below sea level.

5. Regions are organized on the basis of how people use their geography.

   a. A region is a section of the earth which has distinctive physical or cultural characteristics.
   b. Similar patterns of natural resources and man-made geographic features help to identify cultural areas in various parts of the world.
   c. Relationships between cultural areas tend to expand with increased technological development.
   d. The location of key sites (e.g., cities, military bases, farming regions) is based on their role in meeting the needs of the region or even the world.

Economics (E)

1. Human wants are always greater than the available resources.

   a. Relative scarcity makes it necessary to allocate available productive resources to best satisfy peoples' wants.
   b. Wants are individual and collective.
   c. Wants consist of materials, goods, and services.

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   b. Wants are individual and collective.
   c. Wants consist of materials, goods, and services.
   d. The economic wants of society are never satisfied.
   e. The conservation of natural resources is necessary for their future availability.

2. In any society choice determines the goods and services produced.

   a. Society must choose between competing desires in order to establish priorities for what our scarce resources can produce.
   b. Income withheld from consumption provides savings. Savings used to produce more goods become investments.
   c. The decision to produce capital goods rather than consumer goods is made possible by savings and investments.
   d. The more a country allocates for the formation of capital, the more it is able to produce.
   e. When resources are used to produce particular goods, the alternative use to which those resources might have been put is the "opportunity cost."

3. Increased productivity makes possible the greater satisfaction of man's wants.

a. Producers use human, natural, and capital resources to make goods and services.
b. Specialization leads to great interdependence in the economy.
c. Specialization and the division of labor make possible greater efficiency in producing goods and services.
d. Increased interdependence brings about increased trade.
e. Real increases in production are largely the result of an increase in the worker's ability to produce.
f. Capital is a key factor in producing more goods.

4. Societies develop economic systems in order to allocate limited resources.

a. Decision-making on how to use limited resources is the basis of every economic system; elg., capitalism, socialism, communism.
b. Economic systems must provide answers to four questions:
    1) What goods and services shall be produced?
    2) How shall goods and services be produced?
    3) How much shall be produced?
    4) Who shall receive the goods and services produced?
c. Economic systems vary widely in their theory and practice.

5. Changes in private enterprise economy result from decisions made by consumers, producers and/or government.

a. In a private enterprise economy such as ours, changes in prices largely determine the use that will be made of resources. Prices are basically determined by the demand for and supply of goods and services.

b. Consumers will generally choose to purchase with their limited income those goods and services which give them the greatest satisfaction.
c. In order to make a profit, businessmen tend to produce those products which consumers desire most. Producers try to keep their costs of production down and their profits up.
d. Income mainly comes from individual contributions to production of goods or services.
e. The level of total spending by consumers and the level of investments by businessmen play key roles in determining recessions or prosperty.
f. Government policies of taxing, spending, borrowing, and controlling credit and money supply have powerful effects upon recessions or prosperity.
g. The economy grows mainly as a result of decisions of consumers to spend and to save and of producers to invest. Government policies strongly affect this growth.

Political Science (P.S.)

1. Governments exist to make rules for group living.

a. Man develops rules and laws to live together.
b. Governments are established to do for the individual

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Political Science (P.S.)

1. Governments exist to make rules for group living.

    - a. Man develops rules and laws to live together.
    - b. Governments are established to do for the individual what he cannot do for himself.
    - c. Governments make rules to promote the interests of society.

2. Man has developed various forms of government.
    - a. Governments differ in the way power is obtained and exercised.
    - b. The nature and structure of governments change.

3. Democracy is a form of government in which ultimate power resides in the people.

    - a. Democracy has evolved from the struggles and experiences of the past.
    - b. The authority of the democratic state is limited by constitutional guarantees and traditions.
    - c. Democratic governments provide protection for the rights of individuals and minority groups.
    - d. In democracies, individuals and groups try to achieve their objectives by means of the ballot, political parties, pressure groups, and the mass media.

e. Democratic governments operate on the principle of majority rule.
f. Democratic governments have become increasingly concerned with the problem of providing equal rights and opportunities for all.
g. Democratic governments make distinctions between free expression of minority points of view (legal opposition) and subersion.
h. Democratic living entails duties and responsibilities as well as rights and privileges.
i. Active participation by citizens in the process of government helps insure the continuation of democracy.
j. Education is considered necessary for strengthening democracy.

4. Governments have grown more complex in response to changing needs and conditions.

   a. Responsibility is allocated between national and local units of government.
   b. National and local units of government are interrelated and interdependent.
   c. As governments and their functions grow more complex, agencies are created to provide additional services.

5. Nations have established international organizations to resolve conflicting interests.

   a. Nations establish diplomatic and trade relations with one another.
   b. Nations tend to resist giving up sovereign power.
   c. Nations organize with other nations to work together to achieve common aims.

6. All men have inalienable rights. --Civil Liberties (C.L.)

   a. All men are born free and equal in dignity and rights.
   b. All men have the right to freedom of conscience and religion.
   c. All men have the right to freedom of thought, opinion, and expression.
   d. All men have the right to life, liberty, and security of person.
   e. All men are equal before the law without distinctions of any kind.
   f. All men have the right to humane treatment and may not be subjected to cruel, inhuman, or degrading punishment.
   g. All men are entitled to the protection of their property against arbitrary arrest, detention, imprisonment, or exile through due process of law.
   h. All men are entitled to the protection of their property against arbitrary acts of government.
   i. All men have the right to assemble and associate peacefully.
   j. All men have the right to vote by secret ballot in periodic and genuine elections.
   k. All men have the right to an education that will insure maximum development and fulfillment.
   l. All men have the right to work, to free choice of employment, to just and favorable working conditions, and to protection against unemployment.
   m. All men have the right to an adequate standard of living.
   n. All men have the right to participate freely in cultural life.
   o. All men have the right to a nationality, to freedom of movement, and to residence within a country.

Anthropology-Sociology (A-S)

1. Human beings are much more alike than different.

   a. All human beings belong to the same species of animal, Homo sapiens.

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Anthropology-Sociology (A-S)

1. Human beings are much more alike than different.

    a. All human beings belong to the same species of animal, Homo sapiens.
    b. All human beings have certain basic needs.
    c. There is no necessary relationship between ethnic differences and distinctive behavioral traits.
    d. No significant differences exist in the innate intelligence and capabilities of human beings from varying racial and ethnic backgrounds.
    e. Members of different racial groups show a considerable overlap in abilities.
    f. Racism results from attributing hereditary superiorities or inferiorities to particular ethnic groups.
    g. Racism produces prejudice and discrimination.

2. Man's present material and cultural level is an outgrowth of the accumulated knowledge and experiences of the past.

   a. Societies draw upon ideas from other cultures.
   b. The pace of technological progress and cultural development has been accelerating at an increasing rate.
   c. Technological backwardness is not characteristic of particular ethnic groups.

3. The culture in which a man lives influences his thoughts, values, and actions.

   a. Societies vary in culture.
   b. No scientific basis has been uncovered for determining the superiority of one culture over another.
   c. The diversity of cultural patterns in the modern world makes cultural coexistence essential.

4. The environment in which a person lives greatly affects his opportunities for personal growth and development.

   a. Historical circumstances, not heredity, determine a people's cultural achievements.
   b. Cultural contributions are not the monopoly of any ethnic group.

5. Man lives in groups.

   a. The family is the basic unit of human society.
   b. Family organization has taken different forms in different societies and at different historical periods.
   c. Man organizes many kinds of groups to meet his social needs.
   d. Group living requires cooperation within and between groups.

6. Man develops social processes and institutions to insure group survival, provide for order and stability, and adapt to the dynamics of change.

   a. To achieve its goals, every society develops its own system of values.
   b. Men and civilizations have been motivated by moral and spiritual values and beliefs.
   c. Children are taught the values, skills, knowledge, and other requirements for the continuance of society by their parents, peers, the school, and other agencies.

The Development of Skills

Fundamental to conceptual learning in history and the social sciences is the student's ability to utilize maps and globes, to locate and gather information, to solve problems, and to participate effectively in group activities. The development of such skills, as we have seen, is an important objective of this program; instruction in this area, in fact, is designed to parallel the grade-by-grade development of basic concepts.

To assist teachers in planning a sequential program of skill development, specific learning activities actions.

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To assist teachers in planning a sequential program of skill development, specific learning activities are presented in this bulletin which provide opportunities for the use of skills in a functional manner.

The chart that follows, which served as a guide for the skills program in this bulletin, should prove useful to teachers in lesson planning. It indicates major social studies skills and the suggested grade levels at which they should be introduced, developed, and maintained. The grade placements indicated are in consonance with recent findings regarding skills in the teaching-learning process. These placements, however, should be modified to fit the needs, abilities, and prior experiences of individual pupils and classes. Teachers may find it necessary to reteach specific skills at various grade levels.

Scope and Sequence, Prekindergarten Through Grade Twelve

Unlike earlier revisions in this curriculum area, the new program in history and the social sciences is predicated upon a carefully articulated scope and sequence for all grades in our school system. A major objective in the development of the program has been the elimination of cycles involving the unnecessary repetition of content at each school level.

The scope and sequence provides for an unusual degree of flexibility in the selection of themes and pertinent case studies. In grade three, for example, each of the first five themes may be developed in terms of comparative case studies of cultures other than those indicated in parenthesis. In grades five and six, provisions are made for extending the courses of study in such a way as to meet the special needs and interest of students within a district, school, or class. In both grades, basic learning from the initial themes are applied on a selective basis to the study of additional themes. In the second semester of grade twelve, the school may offer one or more of a variety of courses.

Unless otherwise indicated, it is expected that all themes listed for a particular grade be developed during the course of the year's work. The order in which themes are presented, however, may be altered to suit special needs and circumstances.

PREKINDERGARTEN: ORIENTATION TO THE WORLD IN WHICH WE LIVE

A. Developing Individuality And Self-Respect
B. Relating To People
C. Participating In Responsibilities And Anticipating Future Rewards
D. Observing How Weather Changes Affect What We Do
E. Realizing That Some People And Places Are Nearby And Some Are Far Away
F. Understanding That Some Days Are Special Days

KINDERGARTEN: THE CHILD IN HIS HOME AND SCHOOL ENVIRONMENT

A. We Live Together In The Classroom
B. We Live Together In The School And Its Environment
C. How The Family Meets Its Needs
D. Some Needs Are Met By People Far Away
E. We Adapt To Change
F. We Observe Special Days Together At Home And In School

GRADE 1: LIVING TOGETHER IN THE COMMUNITY

A. People Live In Groups
B. Many Workers Supply Many Services
C. Government Supplies Services To Meet People's Needs
D. Communities Are Interdependent
E. Changes Occur In The Community
F. Communities Observe Special Days

GRADE 2: HOW PEOPLE LIVE IN CITY COMMUNITIES AROUND THE WORLD

A. How People Live In And Around New York City
B. How People Live In Other Cities In The United States
C. How People Live In Other Cities Of The World
D. Communication Brings People Of The World Closer Together
E. Transportation Brings People Closer Together
F. People Around The World Observe Special Days and Customs

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Unless otherwise indicated, it is expected that all themes listed for a particular grade be developed during the course of the year's work. The order in which themes are presented, however, may be altered to suit special needs and circumstances.

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F. People Around The World Observe Special Days and Customs

GRADE 3: CULTURES AROUND THE WORLD

(Note: Comparative case studies of selected cultural groups are used in Theme A-E.)

A. How People Live in the Tropical Rainforest
B. How People Live in the Desert
C. How People Live in Grasslands
D. How People Live in Northern Forests
E. How People Live in Mountain Regions
F. How Man Shows His Inventiveness
G. How We Practice Good Citizenship

GRADE 4: AMERICAN PEOPLE AND LEADERS: HOW THE UNITED STATES BEGAN AND GREW

(Biographical Studies of Leaders and Ethnic Contributions)

A. How People Discovered And Explored The Americas
B. How People Settled And Developed Colonies In North America
C. How People Established The United States of America
D. How People Developed Our Nation (to 1900)
E. How People Have Been Leading Us Into The Great Society (since 1900)

GRADE 5: OUR WORLD: GEOGRAPHIC AND ECONOMIC STUDIES

(Note: Grades 5 and 6 comprise a two-year sequence)

A. How The People Of The United States Use Their Geography
B. What The People Of Canada Are Doing With Their Geography
C. How Latin Americans Use Modern Technology
D. How The People Of Europe Are Developing New Economic Relationships In The Light Of Modern Geography
(Select one of the following two themes)
E. How The People Of Asia Are Using Their Geography
F. How The People Of Africa Are Using Their Geography

GRADE 6: OUR WORLD: EARLY CIVILIZATIONS

A. How We Learn About The Past
B. How Modern Man Developed
C. How Western Civilization Developed
(Select two of the following four themes)
D. How Civilization Developed In India
E. How Civilization Developed In China
F. How Civilization Developed In Pre-Columbian America
G. How Civilization Developed In Africa

GRADE 7: AMERICAN HISTORY

A. Why People Moved To The New World (1492-1775)
B. How Permanent Settlements Were Formed In The New World (1607-1775)
C. How The Thirteen Colonies Became One Nation (1660-1789)
D. How America Grew In A Changing Political Climate (1783-1890)

(Biographical Studies of Leaders and Ethnic Contributions)

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B. What The People Of Canada Are Doing With Their Geography
C. How Latin Americans Use Modern Technology
D. How The People Of Europe Are Developing New Economic Relationships In The Light Of Modern Geography
(Select one of the following two themes)
E. How The People Of Asia Are Using Their Geography
F. How The People Of Africa Are Using Their Geography

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A. How We Learn About The Past
B. How Modern Man Developed
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(Select two of the following four themes)
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C. How The Thirteen Colonies Became One Nation (1660-1789)
D. How America Grew In A Changing Political Climate (1783-1890)
E. How American Democracy Changed In Response To The Needs Of The Twentieth Century (1890 To The Present)

GRADE 8: URBAN GROWTH: CHALLENGES OF A CHANGING SOCIETY

A. Case Study Of The New York Metropolitan Area
B. Urbanization In New York State
C. Urbanization At Home And Abroad
D. Changing Role Of Federalism In Urban America

GRADE 9: WORLD STUDIES: EASTERN CIVILIZATION - REGIONAL STUDIES

(Note: Grades 9 and 10 comprise a two-year sequence in World Studies)

A. Japan
B. Communist China
C. Southeast Asia
D. The Subcontinent of India
E. The Middle East and Moslem Society
F. Sub-Saharan Africa
G. Union of Soviet Socialist Republics: Bridge Between East and West

GRADE 10: WORLD STUDIES: WESTERN CIVILIZATION - HISTORY AND CULTURE

A. The Emergence Of Modern Europe (From The Renaissance To The Rise OF National States)
B. The Industrial Revolution
C. The Growth Of Democracy
D. Nationalism
E. Rise And Decline Of Colonialism
F. Life, Art, Science And Thought In The Nineteenth Century
G. Problems Of War And Peace
H. Live, Art, Science And Thought In The Twentieth Century
I. Current Problems

GRADE 11: AMERICAN STUDIES

A. The Development Of Self-Government In The United States
B. The American People: A Pluralistic Society
C. We Live Together: Social And Cultural Development Of The American Nation
D. Our Nation As A World Power

GRADE 12: FIRST SEMESTER: ECONOMICS

A. An Introduction To Economics And Economic Problems
B. Organizing Production To Satisfy Economic Choices
C. How Income Is Distributed In Our Market Economy
D. How We Try To Maintain A Growing And Stable Economy
E. Economics Of Metropolitan Region
F. Comparative Economic Systems - The Soviet Union
G. International Economic Problems

GRADE 12: SECOND SEMESTER: ONE OF THE FOLLOWING COURSES

Problems of Democracy, Modern World Problems, Advanced Placement Courses, Introduction To The Behavioral Sciences, Metropitan Studies, Modern Geography, African Studies, Asian Studies, Latin American Studies, Ethnic Studies, Jewish Studies, Afro-American studies.

KILLS IN THE HISTORY AND SOCIAL SCIENCES PROGRAM

l is introduced.
l is developed systematically.
l is maintained, reenforced, and extended.

Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Grade 9	Grade 10	Grade 11	Grade 12

of maps and globes
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and Globes
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terpreting Topographic Features
terpreting Scale of Miles
terpreting Weather Maps
*---Using Parallels and Meridians
*---Interpreting Road Maps - Town - State
*---Interpreting Outer Space Maps
*---Converting Degree of Latitude into Miles
*---Converting Degree of Longitude into Time
*---Reading Polar Projection Maps

Experiences

*---Developing Critical Thinking About Events and Dates
*---Developing and Using Vocabulary of Time Expressions
*---Placing Related Events in Chronological Order
*---Developing Numerical Chronology
*---Recognizing Geographic Facts
*---Classifying Similar Geographic Facts
*---Making Associations of Similar Geographic Facts
*---Establishing a Geographic Region

SKILLS IN THE HISTORY AND SOCIAL SCIENCES PROGRAM

*	Grade at which skill is introduced.
———	Grade at which skill is developed systematically.
- - -	Grade at which skill is maintained, reenforced, and extended.

		Prekg.	Kg	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Grade 9	Grade 10	G
SPECIFIC MAP AND GLOBE SKILLS	Recognizing various kinds of maps and globes		*	———	———	———	———	———	———	- - -	- - -	- - -	- - -	- - -
	Orienting One's Direction	*	———	———	———	———	———	———	———	- - -	- - -	- - -	- - -	- - -
	Learning to Make Map Plans		*	———	———	———	———	———	———	———	- - -	- - -	- - -	- - -
	Devising Symbols for Maps and Globes		*	———	———	———	———	———	———	———	- - -	- - -	- - -	- - -
	Learning Names of Cardinal Directions			*	———	———	———	———	———	———	- - -	- - -	- - -	- - -
	Becoming Familiar with Map Symbols			*	———	———	———	———	———	———	———	- - -	- - -	- - -
	Interpreting Map Symbols			*	———	———	———	———	———	———	———	- - -	- - -	- - -
	Interpreting Maps			*	———	———	———	———	———	———	———	- - -	- - -	- - -
	Interpreting Product Maps				*	———	———	———	———	———	———	- - -	- - -	- - -
	Locating Places on Maps and Globes				*	———	———	———	———	———	———	———	- - -	- - -
	Tracing Routes				*	———	———	———	———	———	———	———	- - -	- - -
	Interpreting Topographic Features				*	———	———	———	———	———	———	———	- - -	- - -
	Interpreting Scale of Miles				*	———	———	———	———	———	———	———	- - -	- - -
	Interpreting Weather Maps				*	———	———	———	———	———	———	———	———	———
	Using Parallels and Meridians						*	———	———	———	———	———	———	———
	Interpreting Road Maps - Town - State						*	———	———	———	———	———	———	———
	Interpreting Outer Space Maps						*	———	———	———	———	———	———	———
	Converting Degree of Latitude into Miles							*	———	———	———	———	———	———
	Converting Degree of Longitude into Time							*	———	———	———	———	———	———
	Reading Polar Projection Maps							*	———	———	———	———	———	———
TIME AND SPATIAL RELATIONSHIP SKILLS	Relating Dates and Locations to Personal Experiences	*	———	———	———	———	———	———	———	———	———	- - -	- - -	- - -
	Making Use of Calendar		*	———	———	———	———	———	———	———	———	- - -	- - -	- - -
	Developing Critical Thinking About Events and Dates					*	———	———	———	———	———	———	———	———
	Developing and Using Vocabulary of Time Expressions							*	———	———	———	———	———	———
	Placing Related Events in Chronological Order							*	———	———	———	———	———	———
	Developing Numerical Chronology							*	———	———	———	———	———	———
	Recognizing Geographic Facts							*	———	———	———	———	———	———
	Classifying Similar Geographic Facts							*	———	———	———	———	———	———
	Making Associations of Similar Geographic Facts							*	———	———	———	———	———	———
	Establishing a Geographic Region							*	———	———	———	———	———	———

Grade 1 | Grade 2 | Grade 3 | Grade 4 | Grade 5 | Grade 6 | Grade 7 | Grade 8 | Grade 9 | Grade 10 | Grade 11 | Grade 12

priate Pictures
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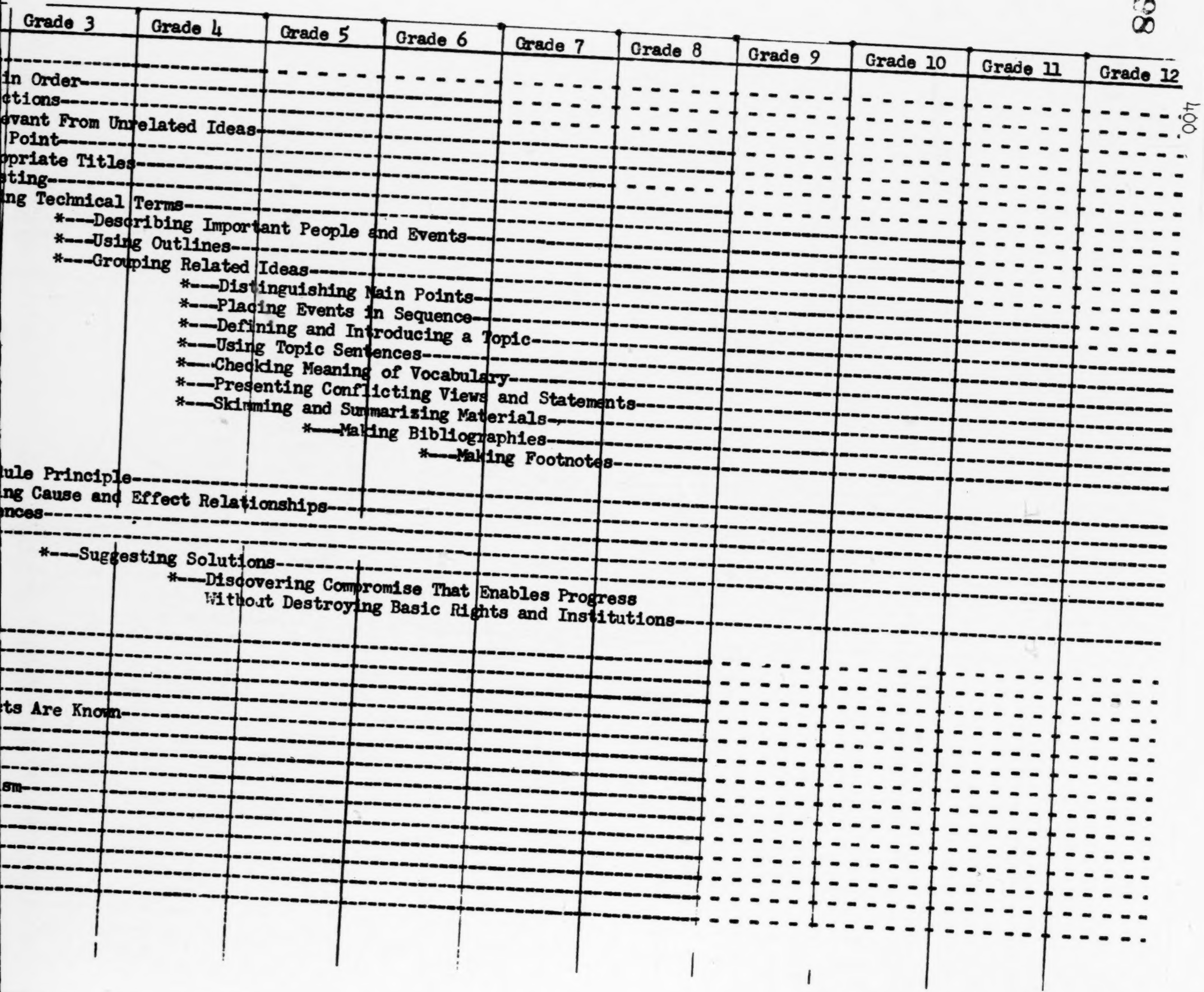
nd Ideas
ewspapers and Current Magazines
*---Recording Main Ideas
*---Locating Books Related to Subject
*---Interviewing
*---Locating Magazines and Periodicals
*---Using Title Page
*---Using Table of Contents
*---Making Inventories
*---Developing a Questionnaire
*---Making Outlines
*---Using Key Words
*---Using a Dictionary
*---Using an Index
*---Using a Glossary
*---Using Encyclopedias
*---Using an Appendix
*---Using a Preface
*---Using an Introduction
*---Using Picture and Clipping Files
*---Using Topical Listings
*---Using an Atlas and a World Almanac
*---Using a Card Catalog
*---Taking Notes
*---Using Footnotes
*---Using Cross References
*---Using Reader's Guide

y
culties and Problems
*---Interpreting Titles
*---Re-reading for Clarification
*---Checking With Other Sources
*---Differentiating Fact from Opinion
*---Determining How to Arrange and Organize Data
*---Interpreting Pictures, Graphs, Tables
*---Identifying Sources
*---Identifying Emotional Words
*---Pointing Out False Ideas
*---Evaluating Speaker's Qualifications
*---Detecting Evidence of Propaganda

	Prekg.	Kg	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Grade 9	Grade 10	Grade
SKILLS IN LOCATING AND GATHERING INFORMATION	*---Recognizing Appropriate Pictures												
		*---Locating Appropriate Pictures											
	*---Telling Main Ideas												
	*---Asking Questions												
	*---Selecting Facts and Ideas												
		*---Using Newspapers and Current Magazines											
			*---Recording Main Ideas										
			*---Locating Books Related to Subject										
			*---Interviewing										
			*---Locating Magazines and Periodicals										
			*---Using Title Page										
			*---Using Table of Contents										
				*---Making Inventories									
				*---Developing a Questionnaire									
				*---Making Outlines									
				*---Using Key Words									
					*---Using a Dictionary								
					*---Using an Index								
					*---Using a Glossary								
					*---Using Encyclopedias								
					*---Using an Appendix								
						*---Using a Preface							
						*---Using an Introduction							
						*---Using Picture and Clipping Files							
						*---Using Topical Listings							
						*---Using an Atlas and a World Almanac							
						*---Using a Card Catalog							
							*---Taking Notes						
								*---Using Footnotes					
								*---Using Cross References					
									*---Using Reader's Guide				
	*---Listening Intently												
SKILLS IN PROBLEM SOLVING AND CRITICAL THINKING (A) Analyzing and evaluating information	*---Identifying Difficulties and Problems												
			*---Interpreting Titles										
			*---Re-reading for Clarification										
				*---Checking With Other Sources									
				*---Differentiating Fact from Opinion									
				*---Determining How to Arrange and Organize Data									
					*---Interpreting Pictures, Graphs, Tables								
						*---Identifying Sources							
						*---Identifying Emotional Words							
							*---Pointing Out False Ideas						
							*---Evaluating Speaker's Qualifications						
							*---Detecting Evidence of Propaganda						


Grade 3
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in Order
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evant From Unrelated Ideas
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sting
ng Technical Terms
*---Describing Important People and Events
*---Using Outlines
*---Grouping Related Ideas
*---Distinguishing Main Points
*---Placing Events in Sequence
*---Defining and Introducing a Topic
*---Using Topic Sentences
*---Checking Meaning of Vocabulary
*---Presenting Conflicting Views and Statements
*---Skimming and Summarizing Materials
*---Making Bibliographies
*---Making Footnotes
ule Principle
ng Cause and Effect Relationships
nces
*---Suggesting Solutions
*---Discovering Compromise That Enables Progress Without Destroying Basic Rights and Institutions
ts Are Known
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	Prekg.	Kg	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Grade 9	Grade 10
(B) Organizing ideas	*---Recounting Experiences											
			*---Placing Ideas in Order									
			*---Following Directions									
			*---Separating Relevant From Unrelated Ideas									
			*---Keeping to the Point									
			*---Selecting Appropriate Titles									
				*---Listing								
				*---Using Technical Terms								
					*---Describing Important People and Events							
					*---Using Outlines							
					*---Grouping Related Ideas							
						*---Distinguishing Main Points						
						*---Placing Events in Sequence						
						*---Defining and Introducing a Topic						
						*---Using Topic Sentences						
						*---Checking Meaning of Vocabulary						
						*---Presenting Conflicting Views and Statements						
						*---Skimming and Summarizing Materials						
							*---Making Bibliographies					
								*---Making Footnotes				
(C) Reaching a constructive compromise		*---Seeing Rights as a Majority Rule Principle										
				*---Seeing Cause and Effect Relationships								
	*---Comparing Problems With Previous Experiences											
	*---Recognizing What Inferences May Be Made											
					*---Suggesting Solutions							
						*---Discovering Compromise That Enables Progress Without Destroying Basic Rights and Institutions						
SKILLS IN INTERPERSONAL RELATIONS AND GROUP PARTICIPATION	*---Engaging in Fair Play											
	*---Taking Turns											
	*---Following Rules and Laws											
	*---Listening to Reason											
		*---Withholding Judgment Until Facts Are Known										
	*---Observing Actions of Others											
	*---Developing Courteous Behavior											
	*---Learning How to Disagree											
	*---Giving and Accepting Constructive Criticism											
	*---Finding Ways to Include Newcomers											
		*---Introducing People										
	*---Inviting People											
	*---Planning and Contributing Ideas											
	*---Dividing Responsibilities											

1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Grade 9	Grade 10	Grade 11	Grade 12
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Others' Efforts--	---	---	---	---	---	---	---	- - -	- - -	- - -	- - -
ions--	---	---	---	---	---	---	---	- - -	- - -	- - -	- - -
--Handling Interruptions--	---	---	---	---	---	---	---	- - -	- - -	- - -	- - -
--Suggesting Alternatives--	---	---	---	---	---	---	---	---	---	- - -	- - -
--Anticipating Consequences of Group Discussion or Action--	---	---	---	---	---	---	---	---	---	- - -	- - -
	*---Defending a Report--	---	---	---	---	---	---	---	---	---	---
		*---Suggesting Means of Group Evaluation--	---	---	---	---	---	---	---	---	---
			*---Following Parliamentary Procedure--	---	---	---	---	---	---	---	---

sconsin Social Studies Program, 1964
rbook, National Council for the Social Studies

Prekg.	Kg	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Grade 6	Grade 7	Grade 8	Grade 9	Grade 10	Grade 11
*---Keeping to the Task---												
*---Showing Appreciation of Others' Efforts---												
*---Making Choices and Decisions---												
		*---Handling Interruptions---										
		*---Suggesting Alternatives---										
		*---Anticipating Consequences of Group Discussion or Action---										
			*---Defending a Report---									
				*---Suggesting Means of Group Evaluation---								
					*---Following Parliamentary Procedure---							

Adapted from: The State of Wisconsin Social Studies Program, 1964
Thirty-third Yearbook, National Council for the Social Studies